

POLYPLEX CORPORATION LIMITED

CIN: L25209UR1984PLC011596

**Regd. Office: Lohia Head Road, Khatima 262 308, Distt. Udham Singh Nagar,
Uttarakhand**

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Introduction

The Objective of this Policy is to define and lay down procedures to deal with the identification, approval and disclosure of Transactions with Related Parties so that such transactions are in the best interests of the Company, in conformity with the requirements of Companies Act, 2013 and Rules made thereunder, applicable Indian Accounting Standards (Ind-AS) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [referred hereinafter as "SEBI (LODR), 2015"], as amended from time to time.

This Policy would be put on the website of the Company www.polyplex.com

2. Definitions

"Act" means the Companies Act, 2013.

"Arm's length transaction" means a transaction between two related parties entered into as if they were unrelated, so that there is no conflict of interest.

"Audit Committee" means the Committee of the Board of Directors constituted under Section 177 of the Act and Regulation 18 of the SEBI (LODR), 2015

"Board of Directors" means the Board of Directors of the Company as constituted from time to time.

"Company" means Polyplex Corporation Limited.

"Director" means a member of the Board of Directors of the Company.

"Employee(s)" means the employee(s) and office-bearer(s) of the Company, including but not limited to Directors.

"Key Managerial Personnel (KMP)" means the officers/employees of the Company as defined in Section 2(51) of the Companies Act, 2013 and appointed as such.

“Material Related Party Transactions”

- i. A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower;
- ii. A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material Modification of Related Party Transactions”

“Material modification” would be any change (+/-) in excess of 20% of the value of already approved transaction and any such change for less than 20% of the value could be approved by the Chief Executive Officer on the recommendations of the Chief Financial Officer.

“Office or place of Profit” means any office or place –

- (i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent free accommodation or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent free accommodation, or otherwise.

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee have laid down principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

“Relative” with reference to a Director or KMP means the person as defined in Section 2(77)* of the Act and rules prescribed thereunder.

“Related Party” means a related party as defined under Section 2(76)** of the Act and rules prescribed thereunder or under the applicable Indian Accounting Standards (Ind-AS).

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares:

- (i) of twenty per cent or more; or
- (ii) of ten per cent or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

“Related Party Transactions (RPT)” means a transaction involving a transfer of resources, services or obligations between:

- (i) a Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) a Company or any of its subsidiaries on one hand, and any other person or Company on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following **shall not be a related party transaction**:

- (a) issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- (b) following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI (LODR), 2015 and rules made thereunder.

3. Exclusions

Following Related Party Transactions are outside the scope of this policy

- a) Transactions entered into between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval;
- b) Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
- c) The transactions or arrangements which are specifically dealt under the separate provisions of the laws and executed under separate approvals/ procedures shall not be covered under this Policy. Examples of such transactions are as follows:
 - i. Appointment of KMPs and payment of remuneration, including any variation thereto,
 - ii. Payment of remuneration, fee, commission etc. to any director in compliance with legal provisions;
 - iii. Shares based incentive plans for the benefits of directors or KMPs approved by the shareholders including ESOPs;
 - iv. CSR Spendings /Contributions pursuant to Section 135 of the Act.

4. Guidance Principles for approval of a Related Party Transaction by the Committee/Board

In determining whether to approve a Related Party Transaction, following factors, among others, to the extent relevant to the Related Party Transaction shall be taken into account:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and

the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and

- vi. Whether the related party transaction would present an improper conflict of interest for any director or key managerial personnel of the company, taking into account the size of the transaction, the overall financial position of the Director or other related party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other related party interest in the transaction and the ongoing nature of any proposed relationship and any other factors the committee/board deems relevant.

5. Information to be considered while approving Related Party Transactions

For the purpose of review / approval of a Related Party Transaction, the Committee/ Board/Shareholders will be provided with the following information:

- (a) Type, material terms and particulars of the proposed transaction;
- (b) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- (c) Tenure of the proposed transaction (particular tenure shall be specified);
- (d) Value of the proposed transaction;
- (e) The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- (f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- (g) Justification as to why the RPT is in the interest of the listed entity;
- (h) A copy of the valuation or other external party report, if any such report has been relied upon;
- (i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

- (j) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available;
- (k) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- (l) Any other information that may be relevant.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

6. Approval Process – Normal by Audit Committee

In the following cases prior approval of only Independent Directors of Audit Committee shall be required:

- 1) All related party transactions and subsequent material modifications;
- 2) a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- 3) with effect from April 1, 2023, a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

7. Approval Process - Omnibus by Audit Committee

Only Independent Directors of the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- 1. The Audit Committee shall grant omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- 2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- 3. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1.00 crore per transaction.

4. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

8. Approval Process- Board/Shareholders

- I. Following cases which are not in the ordinary course of business and on arm's length basis, shall not be entered into without obtaining approval of the Board/Members by way of Resolution under Section 188 of the Companies Act, 2013, read with Rules made thereunder:
 - a) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of Section 188;
 - b) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - c) leasing of property any kind amounting to ten percent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
 - d) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;
 - e) Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2,50,000/- as mentioned in clause (f) of sub-section (1) of Section 188 of the Act.
 - f) Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth as mentioned in clause (g) of sub-section (1) of Section 188 of the Act.
 - g) Payments with respect to brand usage or royalty, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements.

Explanation. -

- 1) The Turnover or Net Worth referred herein above shall be on the basis of the Audited Financial Statement of the preceding Financial Year.

- 2) In case of wholly owned subsidiary, the resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and the Company.
- II. All Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not;

9. Disclosures

- i. All Directors/KMP are required to disclose to Board of Directors of the Company, the names of parties/ entities in which they are deemed to be interested directly or indirectly, in prescribed form, at the time of appointment, annually and whenever there is any change in the previous disclosure so made.
- ii. Each Director and KMP of the Company shall promptly notify the Company Secretary, of any transaction or Relationship that could reasonably be expected to give rise to a conflict of interest.
- iii. At the beginning of every Financial Year, Company Secretary will identify and prepare list of all Related Parties, based on disclosure of interest received from Directors and KMPs and circulate to Chief Financial Officer, Profit Centre Head and Head Finance & Accounts.
- iv. Based on the list of Related Parties received, Chief Financial Officer will get prepared details of different categories of Related Party Transactions which are likely to be entered into during the year alongwith estimated, period, rationale, pricing and commercial terms etc.
- v. Requisite details of Related Party transactions covered by this Policy and applicable Accounting Standards shall be disclosed to the Stock Exchanges in the prescribed form and time and in the financial statements/ corporate governance report.
- vi. A Copy of this policy is being posted on the website as well as the internal employee portal of the Company for the information to all concerned stakeholders.

10. Non- approval/ratification of a Related Party Transaction

Where any contract or arrangement is entered into by a director or any other employee without obtaining the consent of the Board or approval of the members by a Resolution in the General Meeting under sub-section (1) of Section 188 of the Act, and if it is not ratified by the Board or as the case may be by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Audit Committee shall recommend to the Board, any related party transactions not approved by them, other than those specified under the Act. In case of any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

11. Consequences of non-compliance of such policy for any Related party transaction

In connection with any review of a Related Party Transaction, the Board/Committee has authority to modify or waive any procedural requirements of this Policy.

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the Employee(s). Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under the Act and SEBI (LODR), 2015.

12. Documentation, Registers and Records

All related party transactions approved by the Audit Committee/ Board / Shareholders would be suitably documented by way of Memoranda, Arrangements, Agreements/ contracts under the signatures of Authorised Signatories.

Particulars of all contracts or arrangements approved by Audit Committee shall be maintained to record all essential terms of the arrangements/agreements.

Particulars of all contracts or arrangements covered by Section 188 would be entered in the Register of Contracts or arrangements in which directors are interested and would be placed before the Board of Directors at its meetings and would be open for inspection to the Members of the Company as provided in Section 189 of the Act.

13. General

The Board of Directors of the Company may on the recommendation of the Audit Committee review at least once every three years and amend this policy accordingly in line with amendments in applicable laws and regulations.

In case of any point not covered in this policy or any amendment made by the Government of India (MCA)/ SEBI Regulations the provisions prescribed in the Act and SEBI LODR, 2015 shall have over-riding effect w.e.f. applicability of such amendment.

This Version of the Policy was approved by the Board of Directors in their meeting held on March 30, 2022

Notes:

- 1. Version 2.0 of this Policy was approved by the Board of Directors in their meeting held on February 13, 2019.*
- 2. Version 1.0 of this Policy was approved by the Board of Directors in their meeting held on February 13, 2015*

*** Following is the list of relative define defined in Section 2(77) of the Act and rules prescribed thereunder**

“**Relative**” with reference to any person, mean anyone who is related to another, if—they are members of a Hindu Undivided Family;
they are husband and wife;

Rule 4 of the Companies (Specification of definitions details) Rules, 2014 prescribed as follows:
A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

- (1) Father (including step-father);
- (2) Mother (including the step-mother);
- (3) Son (including the step-son);
- (4) Son’s wife;
- (5) Daughter;
- (6) Daughter’s husband;
- (7) Brother (including the step-brother)
- (8) Sister (including the step-sister).

**** “Related Party” as per Section 2 (76) of the Companies Act, 2013 and rules prescribed thereunder i.e. related party with reference to a company (listed entity), means—**

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager 1[or his relative] is a member or director;
- (v) a public company in which a director or manager 2[and holds] is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
 - (C) an investing company or the venture of the company;"

Explanation.—For the purpose of this clause, “the investing company or the venture of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) such other person as may be prescribed;

Rule 3 of Companies (Specification of definitions details) Rules, 2014, for the purposes of sub-clause (ix) above prescribed as follows:

a director (other than *an independent director*) or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

“Related party” as per Ind-AS 24

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- i. has control or joint control over the reporting entity;
- ii. has significant influence over the reporting entity; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key Management Personnel as Ind-As 24

“**Key management personnel**” are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.