



Ester Industries Ltd

Related Party Transactions Policy

INTRODUCTION

The Board of Directors of the Company has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing the materiality of Related Party Transactions and dealing with Related Party transactions required to be followed by Company to ensure compliance with the Law and Regulation. The Audit Committee will review the same from time to time and propose the amendment required in the policy to the Board of Directors.

PURPOSE

Clause 49 of the Listing Agreement requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with above requirement.

DEFINITIONS

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under the Companies Act, 2013 and the Listing Agreement.

“Board” means Board of Directors of the Company.

“Related Party Transaction” A Related Party Transaction is defined as below :

As per Section 188 of the Companies Act, 2013 :

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of, or buying, property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company;

As per Clause 49 of the Listing Agreement :

Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

“Material Related Party Transaction”

A transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover of the company as per the last audited financial statements of the company.

“Related Party” an entity shall be considered as related to the Company if

- i) such entity is a related party under Section 2(76) of the Companies Act, 2013
- ii) such entity is a related party under the applicable accounting standards

“Key Managerial Personnel” mean key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager
- (ii) Whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Arm Length Price” means the price at which a willing seller and an unrelated willing buyer will freely agree to a transaction.

“Net Worth” means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;

“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.

APPROVAL PROCESS

AUDIT COMMITTEE

All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee in accordance with this Policy. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- b. 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 (One) crore per transaction.

- c. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- d. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

If the Committee determines that the a related party transaction is

- (i) a Material related party transaction or
- (ii) is not in the ordinary course of business or not at the arm's length price,

the audit committee shall place the matter before the board for obtaining its approval.

Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

BOARD OF DIRECTORS

Where approval of Board of Directors is required for any related party transaction or if the Board in any case elects to reviews any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

SHAREHOLDER APPROVAL

Shareholders' approval through Special Resolution will be required in the following cases –

- i. All Material Related Party Transactions (other than transactions entered into by the company with its wholly owned subsidiary, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval)

Provided that all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

- ii. All Related Party Transactions as prescribed in Section 188 of the Companies Act, 2013 (other than Material Related Party Transaction) which are not in the Ordinary Course of Business and at Arms' Length Basis subject to the limits as prescribed in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014.

Provided that all entities falling under the definition of related parties shall abstain from voting. However Related Party, here, refers to only such related party as may be a related party in the context of the contract or arrangement for which the said special resolution is being passed.

PROCEDURE

A. Disclosure by Directors & KMPs

Every Director & KMP shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors & KMPs are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

B. Identification of Transaction with related Parties

Each Director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

C. Review and approval of Related Party Transaction

A Related Party Transaction reviewed under this Policy will be considered, approved or ratified by the Audit Committee/Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction.

As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider.

- a) the Related Party's interest in the Related Party Transaction;
- b) the approximate amount involved in the Related Party Transaction;
- c) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- d) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- e) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- f) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction
- i) Whether the Related Party Transaction would impair the independence of an independent director or nominee director;

- j) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the director or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors as the Audit Committee/Board deems relevant.
- k) Any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction.

The Audit Committee/Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ ratify/ recommend to the shareholders, the Related Party Transaction only if the Audit Committee/Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee/ Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

DISCLOSURES :

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

This Policy shall be communicated to all Directors/KMPs and other concerned persons of the Company.