

Finolex Industries Limited

Related Party Transactions Policy

1. Preamble

The Government of India, Ministry of Corporate Affairs have made the provisions of section 188 and 189 of the Companies Act, 2013 (the “Act”) relating to Transactions with related parties applicable effective 1st April, 2014 as applicable to the Company.

Further Securities and Exchange Board of India’s circular No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) has mandated to form policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

FINOLEX INDUSTRIES LIMITED (“FIL” or the “Company”) has been incorporated under the Companies Act, 1956 on 28th March, 1981 and is engaged in the production of PVC Resin, PVC Pipes and Fittings and Power. During the course of business and attaining its objectives, FIL will require to enter into transactions with related parties.

In line with the SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015 and SEBI (LODR) (Sixth Amendment) Regulations, 2021 the Board hereby adopts the revised policy on “Related Party Transactions” of the Company, which shall come into force with effect from the 1st day of April, 2022. FIL has formulated RPT policy as under:

2. Definitions

2.1 Act means the Companies Act 2013 including any amendments or modification as may be applicable from time to time.

2.2 “Promoter and Promoter Group” shall have the same meaning as assigned to them respectively in clauses 13[(oo)] and 14[(pp)] of sub-regulation (1) of regulation 2 of the 15 [Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

2.3 Section 2(76) of the Companies Act, 2013

Related Party (“RP”) as defined in Section 2(76) 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 partner;
- iv) a private company in which a director or manager or his relative is member or director;
- v) a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid up share capital.
- vi) any body corporate 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 of sub clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- viii) any body corporate which is-

- (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or (C) an investing company or the venture of the company;
- ix) Such other person as may be prescribed.

2.4 Related Party as defined in Listing Regulations

“**Related Party**” means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable Indian Accounting Standards.

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 percent or more; or
 - (ii) of ten percent or more, with effect from 1st April, 2023;

in the company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

2.5 “Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) the 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) the company or any of its subsidiaries on one hand, and any other person or entity 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 1st April, 2023;

regardless of whether a price is charges 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) the issue of specified securities on a preferential basis, subject to compliance of the requirement under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the 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.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s).

2.6 “Material Related Party Transaction” means 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 percent of the annual consolidated turnover of the company as per last audited financial statements of the company, whichever is lower.

Further 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 exceed five percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

2.7 “Material modifications to Related Party Transaction” means modification to the related party transaction which individually or taken together with previous modifications pertaining to the same transaction, exceeds the limit of 20% of the approved transaction or change in such other terms and conditions including nature, tenure of transaction etc. which may substantially change the nature/other terms of transaction, in the opinion of the Audit Committee.

2.8 Word and expressions used and not defined in this policy but defined in the Act shall have the same meaning respectively assigned to them in the Act.

3. Policy and procedure for dealing with Related Party Transactions

a. The company shall keep one or more register giving separately the particulars of all contracts or arrangements to which Section 184(2) or Section 188 applies. Such registers shall include related party names addresses, business carried on by them and nature of relationship shall be recorded. This register shall be constantly kept updated. Such registers shall be placed before the Board for approval and directors present shall sign the register.

b. Provisions of Section 184 (2), 188 and 189 of the Companies Act, 2013 shall be strictly followed.

c. All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee. The Audit Committee may decide to give fixed period or amount approval for the transactions with related parties made in normal course of business.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

A related party transaction to which the subsidiary of a company is a party but the company is not a party, shall require prior approval of the audit committee of the company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual consolidated turnover, as per the last audited financial statements of the company.

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 shall require prior approval of the audit committee of the company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the company.

Provided that prior approval of the audit committee of the company shall not be required for a related party transaction to which the listed subsidiary is a party but the company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

d. All Related Party Transactions shall require consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such other conditions as may be prescribed.

e. All material Related Party Transactions/arrangement and subsequent material modifications of it or Related Party Transactions /arrangement entered into by Company which are not in its ordinary course of business and are not Arms' Length basis shall require prior approval of shareholders through resolution. No Related parties shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company whether the entity is a related party to the particular transaction or not.

In addition to the above, the following transactions shall require approval of shareholder by way of a resolution:

Minimum threshold requiring shareholder's approval

Details of transactions to be entered individually or taken together during a financial year	Annual Turnover	Net Worth
Sale, purchase or supply of any goods or material directly or through appointment of agent	10% or more	-
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	-	10% or more
Leasing of property of any kind	10% or more	-
Availing or rendering of any services directly or through appointment of agent	10% or more	
Appointment to any office or place of profit in the company, its subsidiary companies or associate companies at a monthly remuneration - Remuneration Rs. 2.5 Lakhs per month		
Remuneration for underwriting the subscription of any security or derivatives thereof of the company	-	Exceeding 1%

The approval of shareholders will not be required for transactions entered into between holding company and its wholly owned subsidiaries whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. Further the approval of shareholders will not be required for transactions entered into between two wholly-owned subsidiaries of the holding company, whose accounts are consolidated with such holding company and place before the shareholders at the general meeting for approval.

f. No member of the Board who is a related party shall vote in respect of any matter concerning a related party transaction especially on grant of approval to the transaction.

g. Transactions requiring prior approval of the board must be presented to the Board as part of the agenda with full details and justifications as to price and other terms and conditions and preferably be sent at least seven days before the date of the meeting.

h. In respect of transactions entered into in the ordinary course of business with a related party the Board shall ensure and keep on record that it is entered into at arm's length. Arm's length basis shall mean a transaction between to related parties that is conducted as if they were unrelated so that there is no conflict of interest and also at the prevailing market prices without an element of favoritism or to the detriment of companies' financial & commercial interests or reputation. Arm's length basis determination of price paid / received should be on uncontrolled comparable price method and should satisfy the requirements of domestic transfer pricing rules as contained in chapter X of the Income Tax Act, 1961.

i. Wherever feasible quotations, offers, bids tenders shall be invited from the public, before any contract or arrangement is entered into with a related party.

j. In case of transactions on a continuous basis, Board's approval shall be taken in advance for a defined period and upto a defined limit as a cap. If there is any variation in facts or circumstances, it shall be brought to the notice of the Board forthwith.

k. Wherever statutory approvals are required in respect of such transaction Board and Management shall ensure that they are obtained in time and such facts shall be recorded in the minutes of the meeting.

l. A report should be submitted signed by M.D./Joint MDs/Executive Director or Chief Financial Officer, if any detailing the transactions with related parties and any significant features of those transactions.

m. If a transaction with a related party is likely to result in any loss expenditure of an extraordinary nature or a liability or damage to the company or its properties it should be clearly and precisely reported to the Board.

n. There shall be complete transparency openness, bona fides and absence of conflict of interest in all related party transactions and also of in its reporting.

o. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by special resolution in the general meeting 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 director concerned shall indemnify the company against any loss incurred by it.

p. Ratification of Related Party Transactions in exceptional cases: Any Related Party Transaction which is not under omnibus approval, entered into by the Company with a Related Party, without obtaining the consent of Audit Committee or the Board of Directors or approval of shareholders in General Meeting, can in genuine cases be ratified by the Audit Committee or the Board of Directors or the shareholders at a General Meeting as permitted under the applicable laws.

4. Disclosure

4.1 Every contract or arrangement entered into under Section 188 of the Companies Act, 2013 shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

4.2 Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

4.3 The Company shall disclose the policy on dealing with Related Party transactions on its website and in the Annual Report.

4.4 The Company shall submit half yearly disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the Stock Exchanges and publish the same on the website of the Company.

5. Amendment to the policy

5.1 This policy is constituted under the provisions of the said Act, Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions for the time being in force. Any conflict between the contents of this policy and the Act, Rules, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the provisions of Act, Rules and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from to time will be made applicable to the matter. This policy shall stand amended in accordance with the amendments in the said Act & Rules from time to time.

5.2 Any amendment to this policy will be in writing.

6. Approval

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

This RPT Policy is approved by the Board of Directors of the Company at its meeting held on 26th July 2014 and amended on 9th February, 2019 & 25th January, 2022.
