

POLICY GOVERNING TRANSACTIONS WITH RELATED PARTIES AND MATERIAL SUBSIDIARIES OF
OMKAR SPECIALITY CHEMICALS LIMITED

1. Introduction

The Board of Directors of the Company has adopted the following Policy and procedure with regard to Related Party Transactions. This policy envisages the procedure governing Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise consequent upon the transaction entered into by the Company and the whether the said transactions are consistent with the Company's and its shareholder's interest.

This policy also deals with transactions involving Material Subsidiary (ies) of the Company.

Accordingly, pursuant to the Section 188 of the Companies Act, 2013 and Regulations 16(c) and 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), this policy has been adopted by the Company's Board of Directors vide its resolution dated 13th November, 2014 and amended vide its resolution dated 23rd October, 2015 in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified, as permitted. The Audit Committee shall review significant related party transactions, submitted to it by Management, approve and / or recommend for Board and / or shareholders' approval thereon.

2. Purpose

The Listing Regulations require that the Company shall formulate a policy on materiality of related party transactions and also on dealing with transactions pertaining to related parties, material non-listed subsidiaries. This policy has been framed for complying with the above requirements.

3. Definitions

For the purposes of this policy, the following definitions apply:

"Act" means Companies Act, 2013

“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.

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted pursuant to the provisions of Section 177 of the Companies Act, 2013

“Board” means Board of Directors of the Company

“Company” means Omkar Speciality Chemicals Limited;

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner which includes

- (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, and
- (b) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

“Directors” means Board of Directors of the Company

“Key Managerial Personnel” (KMP) means:

- a. Chief Executive Officer and / or Managing Director
- b. Whole Time Director
- c. Chief Financial Officer
- d. Company Secretary
- e. Such other officer as may be prescribed

“Material subsidiary” means a subsidiary, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% (twenty percent) of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

"Relative" means and includes:

- a. members of HUF
- b. Spouse
- c. Father includes step-father
- d. Mother includes the step-mother
- e. Son includes the step-son
- f. Son's wife
- g. Daughter
- h. Daughter's husband
- i. Brother includes the step-brother
- j. Sister includes the step-sister

"Related Party" means:

- (i) A director or his / her relative;
- (ii) A Key Managerial Personnel or his / her relative;
- (iii) A firm in which a Director or Manager or his / her relative is a partner;
- (iv) A private company in which Director or Manager his/her relative is a member or director;
- (v) A public company in which Director or manager is a director and holds, alongwith his / her relatives, more than two per cent 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 advise, directions or instructions a director or manager is accustomed to act;
- (viii) Any company which is:
 - a holding, subsidiary or associate company of such a company; or
 - a Subsidiary of a holding company of which it is also a subsidiary;
- (ix) A director or key managerial employee of the holding company or his / her relative;
- (x) An entity shall be considered as related to the Company if:
 - Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - Such entity is a related party under applicable accounting standards

"Related Party Transaction" means any contract or arrangement pertaining to transfer of resources, services or obligations between the Company and a related party, 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 and shall include ;

- 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

"Senior Management Personnel" for this purpose shall mean employees one level below the Board of Directors and will include functional / vertical Heads.

"Significant transaction or arrangement" means any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the material unlisted subsidiary for the immediately preceding accounting year.

"Material Related Party transaction" means any transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statement of the listed entity.

4. Related Party Transaction Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

The Company shall enter into any contract or arrangement with a Related Party subject to the following conditions, namely:

- (a) The agenda of the Committee / Board meeting at which the resolution is proposed to be moved shall disclose:
- a. The name(s) of the related party, nature of relationship, period of transaction, maximum amount of transactions that shall be entered into,
 - b. the indicative base price / current contracted price and the formula for variation in the price, if any
 - c. The nature, duration of the contract and particulars of the contract or arrangement alongwith justification
 - d. The material terms of the contract or arrangement including the value, if any
 - e. Any advance paid or received for the contract or arrangement, if any
 - f. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
 - g. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - h. Any other information relevant or important for the Board to take a decision on the proposed transaction
- (b) 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.
- (c) All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
- (d) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:
- a. Name of the related party
 - b. Name of the director or key managerial personnel who is related, if any;
 - c. Nature of relationship
 - d. Nature, material terms, monetary value and particulars of the contract or arrangement

- e. Any other information relevant or important for the members to take a decision on the proposed resolution

Procedure for approving Related Party Transactions

A. Disclosure by Directors:

Every Director 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 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 Transactions 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 Key Managerial Personnel 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:

1) Audit Committee:

All Related Party Transactions shall require prior approval of the Audit Committee. Pursuant to the Listing Regulations, as amended from time to time, a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual turnover of the Company as per the last audited financial statements of the Company.

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 lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company;
- c. 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 Crore (One Crore) per transaction.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding 1 (One) year and shall require fresh approvals after the expiry of one year."

All material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the Company is a related party to the particular transaction or not.

It is clarified that the 'Related Party' referred hereunder has to be construed with reference only to the contract or arrangement for which the said special resolution is being passed. Thus the term 'Related Party' in the given context, 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.

However, the prior approval of Audit Committee and shareholders will not be required in the following cases:

- Transactions entered into between two government companies;
- Transactions entered into between holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- Transactions which have been entered into by the Company in its “ordinary course of business” and which are on an “arm’s length” basis.

The following Related Party Transactions shall not require approval of Audit Committee:

- Any transaction involving the providing of compensation to a Director or KMP in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business;
- Any transaction in which the related party’s interest arises solely from ownership of securities issued by the Company any all holders of such securities receive the same benefits pro rata as the related party.

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

If the committee determines that the related party transaction is a material related party transaction or the transactions are 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.

2) 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 review 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 Related Party Transaction.

3) Shareholders' Approval:

In case, the Board refers a related party transaction for seeking approval of the shareholders as per the provisions of Companies Act, 2013 or otherwise, if any member of Company is a related party as per this policy, such member of the Company shall not vote on resolution passed for approving such related party transaction.

4) Related Party Transactions not approved under this Policy:

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of such related party transaction.

In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

5. Policy Governing Material Subsidiary Company (ies):

- a. At least one Independent Director on the Board of Directors of the Company shall be a director on the Board of Directors of an unlisted material subsidiary, incorporated in India;
- b. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company;
- c. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Company. The management shall periodically (Atleast annually) bring to

the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company;

- d. Furthermore, the Audit Committee as and when it deems fit may provide that a particular transaction be undertaken post prior approval of the Board of Directors of the Company and / or that of the shareholders of the Company procured via Postal Ballot or at a general meeting;
- e. The company shall not dispose shares in its material subsidiary which would reduce its shareholding (Either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting;
- f. In order to sell, dispose and lease of assets amounting to more than 20% of the assets of the material subsidiary, the Company shall obtain prior approval of shareholders by way of special resolution;

The Audit Committee shall put in place mechanism to implement this policy and is also authorized to delegate any / all of its powers and duties herein to any Director(s) and / or officers of the Company.

6. Disclosure(s)

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 and material subsidiary on its website and a web link thereto shall be provided in the Annual Report. Furthermore, all the related party transactions shall be disclosed in the Annual Report of the Company.

7. Amendments to the Policy

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to

revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
