

GUJARAT POLYSOL CHEMICALS LIMITED

CIN No. U24231GJ1989PLC012892

Regi Office Address: Plot No. 1734, Third Phase, GIDC, Vapi,
Dist. Valsad, Vapi, GJ 396195 IN

Email Id: gujaratpolysol@gmail.com, Contact No. +91 99251 00331

POLICY ON RELATED PARTY TRANSACTIONS

1) SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (**Act**) read with the rules framed there under.

Also, Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (**SEBI Listing Regulations**) requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, Gujarat Polysol Chemicals Limited (**Company**) has framed this "Policy on Related Party Transactions" (**Policy**) in compliance of Regulations 23 of the SEBI Listing Regulations read with Section 188 and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time.

In case of any inconsistency in the Policy and the provisions of the Companies Act, 2013, the SEBI Listing Regulations or any other rules and regulation as may be amended from time to time, the provisions specified in the Act or SEBI Listing Regulations would prevail.

2) OBJECTIVE OF THE POLICY

The primary objectives of this Policy are as follows:

- To determine the materiality of Related Party Transactions transaction between the Company and its Related Parties for ensuring robust Corporate Governance Framework;
- To define manner of dealing with the Related Party Transactions between the Company and its Related Parties.

3) DEFINITIONS

- a) "**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.
- b) "**Audit Committee**" means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of the SEBI Listing Regulations.
- c) "**Ordinary course of business**" may include that transaction which is permitted by the Object Clause in the Memorandum of Association of the Company or which is connected with the normal business of the Company or which is a historic/common commercial practice or the income earned of which is assessed a business income or expense incurred which is assessed as a business expense.
- d) "**Related Party**" means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.
- e) "**Related Party Transactions**" shall mean such transactions as specific under Section 188 of the Companies Act, 2013 or rules made thereunder or Regulation

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2(1)(zc) of the SEBI Listing Regulations including any amendment or modification thereof, as may be applicable.

- f) **"Relative"** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and / or under the applicable accounting standards.
- g) **"Material Modification"** shall mean an amendment to the terms of a transaction / agreement / commitment with / to a Related Party, the effect of which will be an increase over the approved limit for a transaction, by an amount more than Rs.20 (Twenty) Crore in a financial year or 25% (Twenty-Five per cent) of the approved limit, whichever is higher.

Provided that material modifications shall be deemed to include the following, without application of the above criteria:

- a) In case of a loan or deposit or any other means of funding, any deviation in the objects or purposes for which the loan or deposit was given or funding was made or received;
- b) In case of any other transaction or agreement, any amendment which will have an effect of
- i. deferring the consummation of such transaction or agreement by a period beyond one year from the existing approved term / period; or
 - ii. renewing or extending the term of the transaction or agreement for a period exceeding one year of its existing approved term / period.

Provided further that any modification to the transactions / agreements entered into:

- a) for sale, purchase or supply of any goods or materials or availing or rendering of any services in the ordinary course of business and on arm's length basis;
- b) between the Company and its wholly owned subsidiary, if any;
- c) 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 annual general meeting for approval,

shall be excluded from the applicability of above definition.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations, Securities Contract Regulation Act, 1956 or any other applicable law or regulation.

4) MATERIALITY THRESHOLDS

A transaction with the Related Party shall be treated as "Material" if any transaction(s) to be entered into individually or taken together with previous transactions during a financial year:

- Exceeds the limits specified in Sub-rule (3) of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 of the Companies Act, 2013 as amended from time to time and which are not in the ordinary course of business and/or are not at arm's length basis;
or

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- Exceeds the limit as specified in Regulation 23 of the SEBI Listing Regulations.

Specified Transaction–Threshold limits as per Rule 15 of the Companies Act 2013, as amended

Sr. No.	Criteria	Materiality as per the Act (A)	Materiality as per the SEBI Listing Regulations (B)
1	Sale, purchase or supply of any goods or materials (Directly or through agent)	More than 10% of annual turnover or Rs.100 Crore whichever is lower	All transactions with one party exceeding 10% of the annual consolidated turnover
2	Selling or otherwise disposing of, or buying, property of any kind (Directly or through agent)	More than 10% of net worth or Rs.100 Crore whichever is lower	
3	Leasing of property of any kind	More than 10% of net worth or 10% of turnover or Rs.100 Crore whichever is lower	
4	Availing or rendering of any services (Directly or through agent)	More than 10% of turnover or Rs.50 Crore whichever is lower	
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company	Remuneration exceeds Rs. 250,000 per month	
6	Underwriting the subscription of any securities of the company or derivatives thereof	Remuneration exceeds 1% of net worth	

5) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

i. IDENTIFICATION OF RELATED PARTIES

Related parties are as defined under the Act and the Listing Agreement.

The Secretarial team shall, always, maintain a database of Company's Related Parties, identified based on definition of related party as per the Act, under the SEBI Listing Regulations and other applicable law. The database should contain the names of individuals and Companies along with their personal / company details including any revisions therein.

Identification and confirmation of Related Party status need to be followed on quarterly basis:

- In case of KMP / Directors / Managers the disclosure need to be in the form of declarations which should be taken on appointment and event based;

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- In case of holding structure of the Company, inputs from the holding company need to be taken on quarterly basis;
- Prior to entering any agreement, respective functions would need to obtain confirmation from Secretarial Team regarding applicability of Related Party.
- The Secretarial team should share the list of the Related Party to the relevant Functional heads including Finance and Procurement, on quarterly basis and in case of any changes in the list based on the event-based declarations.

ii. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The Company has adopted a process for identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company has adopted a process for determining whether the transaction is in the Ordinary Course of Business and at Arm's Length Basis or not and for this purpose, the Company seeks external professional opinion, if necessary.

6) PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

i. Approval of the Audit Committee

- a. All related party transactions and subsequent material modifications require prior approval of the Audit Committee, provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the Conditions laid down under Regulation 23(3) of the SEBI Listing Regulation.
- b. The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.; and
- c. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of financial year.
- d. The omnibus approval shall specify (a) the name/s of the related party, (b) nature of transaction, (c) duration/period of transaction, (d) maximum amount of transaction that can be entered into, (e) the indicative base price / current contracted price and the formula for variation in the price, if any and (f) such other conditions as the Audit Committee may deem fit;
- e. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
 - Nature of the transaction i.e., details of goods or property to be acquired / transferred or services to be rendered / availed - including description

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of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - A. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - B. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - C. management assessment of pricing terms and business justification for the proposed transaction; and
 - D. Comparative analysis, if any, of other such transaction entered into by the Company.

ii. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a. Transactions which may be in the ordinary course of business and at arm's length basis, but which as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;

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- d. Transactions which are viewed to be in the ordinary course of business and at arm's length basis by the Management, but which are also tabled to the Board for its approval from an improved governance perspective; and
- e. Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

iii. Approval of the Shareholders of the Company

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time shall require approval of the Shareholders of the Company.

Further as specified in Regulation 23(4) of LODR Regulations, all material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) 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:

7) DISCLOSURES

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

8) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss to the Company by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

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9) SCOPE AND LIMITATION

In case there are any regulatory changes requiring modifications to this policy, the same shall be reviewed and amended with the approval of the Board of Directors. However, the amendment in the regulatory requirements shall be binding on the Company and prevail over this Policy even if not incorporated in this Policy.

10)DISCLOSURE OF THE POLICY ON PUBLIC DOMAIN

This policy and every subsequent modification, alteration or amendment made thereto, shall also be intimated to the Stock Exchange where the securities of the Company are listed and also published on the official website of the Company.

11)REVIEW AND CHANGES

The Board of Directors is authorized to amend or modify this policy in whole or in part as and when deemed necessary, to stipulate further guidelines, procedures and rules, from time to time.

12)APPROVED AND ADOPTED

This Policy has been adopted by the Board of Directors of the Company in its meeting held on February 14, 2022 and the Policy shall be effective from February 14, 2022.

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