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Policy on Meteriality of Related Party Transaction and also on dealing with Related Party Transaction

(Pursuant to Clause 49(VII) (c) of Listing Agreement)

1. Introduction

The Board of Directors (the Board) of **Insecticides (India) Limited** has been adopted the following policy and procedures on materiality of Related Party Transactions and also on dealing with Related Party Transaction as defined below.

The Board will review and may amend this policy from time to time.

This policy is to regulate transaction between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

This policy is framed as per requirement of Clause 49(VII)(C) of Listing Agreement entered by the Company with the Stock Exchanges read with the provisions of the Companies Act, 2013 and relevant rules made their under, as amended from time to time and intended to ensure the proper approval and reporting of transaction between the Company and its Related Parties.

2. Scope

This policy applies to all directors, key managerial personnel and senior management of the company.

3. Definitions

In this policy, unless the context otherwise provides:-

- a. **“Audit Committee or Committee”** means Committee of the Board of Directors of the Company constituted under the Listing Agreement and Companies Act, 2013.
- b. **“Material Related Party Transaction”** means a transaction with a related party 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 turnover or twenty percent of net worth of the Company as per the last audited financial statement of the Company, whichever is higher.
- c. **“Related Party”** means related party:
 - I. As per Companies Act, 2013, if an entity falls under 2(76) and under rule 3 of the Companies (Specification of definitions details) Rules, 2014 and amendment thereof.
 - II. As per Clause 49 of Listing Agreement provides an entity shall be considered as related party to the Company, if :
 - (i) Such entity is a related party under Section 2 (76) of the Companies Act, 2013; or
 - (ii) Such entity is a related party under the applicable accounting standards.

- d. **“Relative”** means relative as defined as per Section 2(77) and the Companies (Specification of definition details) Rules, 2014.
- e. **“Key Managerial Person”** includes–
- i) the Chief Executives Officer or the Managing Director or the Manager;
 - ii) the Company Secretary;
 - iii) the Whole - time Director;
 - iv) the Chief Financial Officer

4. Policy

- Identification of potential related party transactions
- Review of related party transactions
- Approval of related party transactions and
- Disclosure of related party transactions

4.1. Identification of Potential Related Party Transactions

A. Determining of Transaction

In terms with the Companies Act, 2013, the transactions which shall be considered as Related Party Transactions, if entered into the Company and its Related Party are any contracts or arrangements that the Company enters into with a Related Party with respect to:

- Sale, purchase or supply of any goods or materials;
- Selling or otherwise disposing of or buying property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associates Company;
- Underwriting the subscription of any securities or derivatives thereof, of the Company; and
- Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged as per the Listing Agreement.

The Responsible Person (Company Secretary/ Compliance Officer) shall at all times maintain a database of Company's Related Party containing the name of individuals and Companies, identified on the basis of definition set forth in Definition clause c & d above, along with their personal/company details including any revisions therein.

Responsible Person shall collate the information, coordinate and send the Related Party List to the concerned employees which may include CMD, CMO, Business Heads, Branch Heads, the Finance & Accounts Departments and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

4.2. Review of Related Party Transactions

All the potential Related Party Transactions shall be reviewed in detail by the Audit Committee. Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis. Lastly, the Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any director or key managerial personnel or any related party.

4.3. Approval of Related Party Transactions

4.3.1. Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee. 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:

- 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 respective in nature;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- 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 per transaction;
- Audit Committee shall review, atleast on a quarterly basis, the details of RPT's entered into by the Company pursuant to each of the omnibus approval given;
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

4.3.2. Board of Directors

The Board shall consider and approve the Related Party Transaction at a meeting as required under the Companies Act, 2013 or rule made thereunder and statutory modification or enactment thereof.

The agenda of the Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose-

- Name of the Related Party and nature of relationship;
- Nature, duration and particulars of the contract or arrangement;
- Material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any, the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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
- Any other information relevant or important for the Board to take a decision on the proposed transaction.

4.3.3. Shareholders' Approval

- a. All the material Related Party Transactions shall require approval of the shareholders through special resolution.
- b. The transactions which fall under the provisions of the Companies Act, 2013 and the rules made thereunder require approval of the shareholders through special resolution as specified below:

S.No.	Nature of related party transaction	Criteria
1	Sale, purchase and supply of any goods or materials, directly or through appointment of agent	Exceeding 10% of the turnover of the Company or Rs.100 crore, whichever is lower
2	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Exceeding 10% of the networth of the Company or Rs.100 crore, whichever is lower
3	Leasing of property of any kind	Exceeding 10% of the networth of the Company or exceeding 10% of the turnover of the Company or Rs.100 crore, whichever is lower
4	Availing or rendering of any services, directly or through appointment of agent	Exceeding 10% of the turnover of the Company or Rs.50 crore, whichever is lower
5	Appointment of any office or place of profit in the Company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.2.5 lacs
6	Remuneration for underwriting the subscription of any securities or derivative	Exceeding 1% of networth

Explanation - It is hereby clarified that the limits specified in sub-clause (1to6) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The explanatory statement to be annexed to the notice of a general meeting convened for the purpose of approving such related party transactions shall include the following particulars namely:-

1. Name of the related party;
2. Name of the director or key managerial personnel who is related, if any;
3. Nature of relationship;
4. Nature, material terms, monetary value & particulars of the contract or arrangement;
5. Any other information relevant or important for the members to take a decision on the proposed resolution.

4.3.4. All entities falling under the definition of the Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not in the above transactions.

4.4. Disclosure of Related Party Transactions

- i. Every related party transaction entered into shall be disclosed to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement;
- ii. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly alongwith the compliance report on corporate governance;
- iii. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report;
- iv. A register of Related Party Transactions shall be maintained as per the Companies Act, 2013 and placed before the Board and signed by all the directors present at the meeting.

5. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transactions with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the 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.

This Policy will be communicated to all operational employees and other concerned persons of the Company.