

Diamines and Chemicals Limited
Related Party Transaction Policy

(W.E.F. 1st October, 2014)

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1. Introduction

The Securities and Exchange Board of India has amended Clause 49 of the Listing Agreement vide its circular bearing no. CIR/CFD/Policy Cell/2/2014 dated April 17, 2014 and also vide circular bearing no. CIR/CFD/Policy Cell/7/2014 dated September 15, 2014. These amendments *inter alia* require each company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

In addition, set of policies and procedures dealing with Related Party Transactions do require to comply with the relevant provisions of the Companies Act, 2013 (the Act) and the Accounting standard AS-18

Accordingly, the Board of Directors (the Board) of Diamines and chemicals limited (the Company) has adopted the following policy and procedures with regard to Related Party Transactions.

2. Scope

This policy will be applicable to all the transactions that the Company may propose to enter into on or after October 1, 2014 with its Related Parties.

All material related party contracts or arrangements entered into prior to October 1, 2014 and likely to continue beyond March 31, 2015 would be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014. This Policy does not deal with such material related party contracts or arrangements.

3. Objective

As a part of the business activity, the Company deals with entities which are related parties. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations to ensure fair practices. The purpose of this policy is to lay down the guiding principles, mechanism and approvals of different bodies and reporting framework. Such transactions are appropriate only if they are in the best interest of both the Company and its shareholders and the related party.

4. Definitions

4.1 “Audit Committee” means the Committee of Board of Directors of the Company constituted under provisions of Listing agreement and the Act for such purpose.

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

4.3 “Board of Directors” or “Board” means the Board of Directors of the Company, as constituted from time to time.

4.4 “Company” shall mean Diamines and Chemicals Limited.

4.5 “Key Managerial Personnel” shall mean key managerial as declared by the Board and shall include the Executive Directors, Company Secretary and Chief Financial Officer.

4.6 “Material Related Party Transaction” means 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 exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

4.7 “Related Party” means related party as follows:

- (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 a partner;
- (iv) A private company in which a director or manager is a member or director;
- (v) A public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) Anybody 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 individual (including their relatives) or enterprise having voting power giving them control or significant influence or any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) Any company which is—

- (A) A holding, subsidiary or an associate company or joint venture of the Company; or
- (B) A subsidiary of a holding company to which the Company is also a subsidiary;

(ix) Director or Key Managerial person of the Holding Company or his relative.

4.8 “Related Party Transaction (RPT)” means any transaction, whether single or group of transactions in a contract, directly or indirectly, involving any Related Party which is a transfer of resources, services or obligations between a Company and a Related Party, regardless of whether a price is charged .

4.9 “Relative” means relative as defined under the Act which is as follows:

“Relative”, with reference to any person, means anyone who is related to another, if—

1. They are members of a Hindu Undivided Family;
2. They are husband and wife; or
3. One person is related to the other in such manner as follows:
 - a. Father (including step-father)
 - b. Mother (including step-mother)
 - c. Son (including step-son)
 - d. Son’s wife
 - e. Daughter
 - f. Daughter’s husband
 - g. Brother (including step-brother)
 - h. Sister (including step-sister)

4.10 “Specified Related Party Transaction” means contract or arrangement with a related party with respect to:

- 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.

4.11 *Words and expressions used and not defined in this Policy but defined in the Listing Agreement with Stock Exchanges, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992, the Act or the Accounting Standards issued under section 133 of the Act shall have the meanings respectively assigned to them in those Acts / Accounting Standards. In the event, such words or expressions are defined at more than one place, and then the meaning stricter of all should be assigned to them.*

5. Identification of Related Party Transactions

5.1 Before entering into any transaction with any party, it will be verified by the Dealing Department i.e., the marketing department, the purchase department or any other department of the Company, who is dealing with the related party, whether the said party is covered under definition of Related Party.

5.2 For this purpose, in the first week of April every year, Secretarial Department of the Company will prepare, out of the general disclosure of interest received from Directors, list of Related Parties and furnish to Systems Department of the Company. Systems Department of the Company will make a provision in the Tally ERP system by way of suitable coding to identify the Related Parties.

5.3 If it is found out by the Dealing Department of the Company from the Tally ERP system that the Party concerned is a Related Party, the matter will be referred to the Secretarial Department of the Company for taking appropriate action as detailed in the process flow statement shown at the end of this Policy

6. Authorisation Hierarchy

6.1 What requires Audit committee approval?

6.1.1 All Related Party Transactions shall be reported to the Audit Committee for its approval in accordance with this Policy.

6.1.2 The following will require approval of the Audit Committee:

A. One time approval of all existing related party contracts or arrangements that are subsisting as on April 1, 2014.

B. All RPT's will be submitted to the Audit Committee for prior approval irrespective whether such transactions are in the ordinary course of business or at arm's length or not. Such prior approval will be required for every entity and every transaction.

C. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company in terms of principle laid down in this Policy and on satisfaction of following conditions:

- a) Related Party Transactions are repetitive in nature.
- b) Such omnibus approval is in the interest of the Company.
- c) The approval must 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 shall be specified;
- d) The details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given by the Audit Committee shall be submitted to Audit Committee at least on a

quarterly basis for their review

- e) The validity of such approval shall not exceed a period in excess of one year and shall require fresh approvals after the expiry of one year.

D. Any modification to existing RPTs, are to be approved by the Audit Committee.

6.2 What requires Board of Director's approval

6.2.1 The following Related Party Transactions will require approval of the Board of Directors:

- a. Specified Related Party Transaction which is not in the ordinary course of business but at arm's length.
- b. Specified Related Party Transaction which is in the ordinary course of business but not at arm's length
- c. Specified Related Party Transaction which is not in the ordinary course of business and not at arm's length basis.
- d. Material Related Party Transactions

6.3 What requires Shareholder's approval?

6.3.1 All Material Related Party Transactions.

6.3.2 In the event, the Specified Related Party Transaction falls within the criteria laid down as under, then such transactions shall not be entered into except with the prior approval of the shareholders by a special resolution.

The criteria laid down are as under:

- (a) Contracts or arrangements with criteria as mentioned below:
 - (i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding **ten per cent of the turnover of the company or rupees one hundred crores whichever is lower**,
 - (ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding **ten per cent of net worth of the company or rupees one hundred crores**,
 - (iii) Leasing of property of any kind exceeding **ten per cent of the net worth of the company or ten percent of turnover of the company or rupees one hundred crores**, whichever is lower,
 - (iv) Availing or rendering of any services, directly or through appointment of agent, exceeding **ten per cent of the turnover of the company or rupees fifty crores, whichever is lower**,

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

- (b) Is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a remuneration exceeding **two and half lakh rupees per month; or**

- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding **one per cent of the net worth**.

Explanation. - (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

6.3.3 The following Related Party Transactions will require approval of the Shareholders:

- a. Specified Related Party Transaction which is not in the ordinary course of business but at arm's length
- b. Specified Related Party Transaction which is in the ordinary course of business but not at arm's length and it falls within the criteria laid down in aforesaid sub- rule.
- c. Specified Related Party Transaction which is not in the ordinary course of business and not at arm's length basis and it falls within the criteria laid down in aforesaid sub-rule.

6.4 What does not require approvals?

6.4.1 Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or shareholders:

- a. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

6.4.2 Material Related Party Transactions entered into between a 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 shall not require approval from shareholders.

7. Approval Procedure

7.1. The Managing Director/ Executive Directors/ Chief Financial Officer/ Company Secretary/ such other person as may be directed by the Audit Committee shall provide the details of Related Party Transactions that would require approval of the Audit Committee with their recommendations and shall confirm to the Audit Committee that such details are exhaustive and it does not exclude any contract or arrangement required to be reported. Such details *inter alia* shall also provide the following:

- a. Name of the Related Parties and nature of relationship
- b. List of Specified Related Party Transactions
- c. List of Material Related Party Transactions
- d. List of Related Party Transactions which are in the ordinary course of business of the Company
- e. List of Related Party Transactions which are at Arm's Length Transaction
- f. Justification for entering which shall *inter alia* include terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party, and any other relevant matters which shall include but would not be restricted to:

- the nature, duration of the contract and particulars of the contract or arrangement;
- the 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;
- the persons / authority approving the transaction; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- Justification that the Related Party Transactions is in ordinary course of business and is Arm's Length Transaction – wherever applicable.

8. Approval Criteria

8.1 In determining whether to approve a Related Party Transaction, the Audit Committee will consider inter alia, whether the transaction is in the ordinary course of business and /or at arm's length.

8.2 In deciding on the **arm's length** issue, the following factors, among others, to the extent relevant to the Related Party Transaction:

a. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

Pricing may not be the only determinant of a transaction being at arm's length though it is an important factor. Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm's length basis. The following has been considered to be helpful in concluding whether a transaction is on an arm's length basis:

- The transaction is as per the prevailing price list / pricing policy / market price/ at the same price (or margin) at which entered into with independent third parties
- The transaction is in line with third party quotations / bids from independent third parties
- Taking assistance of an expert – valuation specialist
- Principles under the transfer pricing guidelines (considering whether the pricing would be in line with what would have been charged to an unrelated party, without any conflict of interest)
- Transactions are on terms that are not unfavourable to the Company

b. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

c. Whether the Related Party Transaction would affect the independence of the directors / Key Managerial Personnel;

d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

e. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company.

f. Whether the Related Party transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other Related Party, the direct or indirect nature of the

director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Board / Committee deems relevant.

8.3. Whether the Related Party Transaction is in the ordinary course of business.

The Audit Committee would exercise judgment to conclude whether a transaction can be considered to be in the ordinary course of business. The following factors to be relevant in deciding "ordinary course of business".

- (1)The objects of the Company permit the activities undertaken;
- (2)There is a historical practice to conduct such activities;
- (3)There is a pattern of frequency to conduct such activities over a period of time and such activities are in the regular course of business; and
- (4)These transactions are common industrial practice.

A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary will generally be assessed on a case to case basis as to whether it could be considered to be in the ordinary course of business.

Sharing of goods or services by an entity with other group companies based on 'cost sharing' is in the ordinary course of business if the goods / services so shared are not the entity's traded goods/services.

The examples that may be considered to be outside the entity's normal course of business include:

- Complex equity transactions, such as corporate restructurings or acquisitions.
- Transactions with offshore entities in jurisdictions with weak corporate laws.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns.
- Transactions with circular arrangements, for example, sales with a commitment to repurchase.
- Transactions under contracts whose terms are changed before expiry.

8.4. If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction(e.g. cases stated in 5.2 above), then the Board shall consider and approve the Related Party Transaction at a meeting and 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.

The Audit Committee or the Board shall, in respect of the Related Party Transactions referred to them for approval, after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business of the Company or is Arm's Length Transaction. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

9. Prohibitions related to Related Party Transactions

9.1 All Related Party Transactions shall be prohibited if the same are not in compliance of this Policy.

9.2All the entities falling under the definition of Related Party shall abstain from voting on such resolutions at General Meeting irrespective of whether the entity is a party to particular transaction or not.

9.3 In case of Board Meeting, such related director shall abstain from attending such meeting

10. 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 under 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 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.

11. Disclosures

11.1 Each director of the Company and Key Managerial Personnel shall be responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/ her or his / her Relative or of transaction involving the Company and other Related Parties. They shall also be responsible for providing additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee / the Board / General Meeting, as the case may be.

11.2 The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

11.3 The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

11.4 To facilitate the implementation of this Policy, the Company shall maintain a register

Showing names of the Related Parties and the nature of relationship. The Company Secretary shall be responsible for identifying the related parties and updating the register. For this purposes, they shall consider the declarations given by the directors in Form MBP 1 under section 184(1) of the Act and declarations given by the directors at the meeting of the Board in terms of section 184(2) of the Act. In addition, he shall examine and make necessary inquiry to identify other related parties based on investment made by the company in other entities as well as investment made in the Company by other entities / individuals.

- a. The Company will disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with related parties.
- b. The Company will disclose the Policy on dealing with RPT's on its website www.dacl.com and provide a web link thereto in the Annual Report.
- c. Director's report will contain details of contracts or arrangements or transactions not at arm's length basis and material contracts or arrangement or transactions at arm's length basis.

12. Correcting erroneous transactions

In case the Board/ Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/ Audit Committee has authority to modify or waive any procedural requirements of this Policy. In the event the Company becomes aware of a transaction with a Related Party that has not been approved under 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 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.