

ASHAPURA MINECHEM LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

Revision History

Release Date	Reviewed by	Approved by
13/11/2014	Company Secretary & Compliance Officer	Board of Directors
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1. PREAMBLE

Ashapura Minechem Limited (hereinafter referred to as “Our/We” or “the Company”, as per the context) has always adhered to good corporate governance policies and accordingly, the Board of Directors of the Company considering the significance of transactions with related parties has adopted the Policy on Related Party Transactions (hereinafter referred to as the “Policy”) which is in line with the requirements of Section 188 of Companies Act, 2013, read with the Rules made thereunder and in terms of the Regulation 23 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the SEBI Listing Regulations”) and subsequent amendments thereto.

2. OBJECTIVE

The objective of this Policy is to ensure due and proper compliance for approval/ratification/manner of entering into and reporting of transactions between the Company and its Related parties based on the Act read with the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- a) In this Policy unless the context otherwise requires:
- i. **“Act”** means the Companies Act, 2013 and rules issued thereunder.
 - ii. **"Accounting Standards"** means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.
 - iii. **“Arm’s length transaction”** shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
 - iv. **"Associate Company"** in relation to another company is the same as defined under section 2(6) of the Companies Act, 2013 and any amendments thereto, or under the applicable accounting standards.
 - v. **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under Regulation 18 of the SEBI (LODR) Regulations, 2015.
 - vi. **“Board of Directors” or “Board”**, in relation to the Company, means the collective body of the directors of the Company.
 - vii. **“Control”** means as defined under the Act 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.

viii. **“Key Managerial Personnel” or “KMP”** means

- a) Managing Director, or Chief Executive Officer or Manager
- b) Whole-time Director;
- c) Company Secretary;
- d) Chief Financial Officer;
- e) such other officer, not more than one level below the directors who is in whole- time employment, designated as key managerial personnel by the Board; and
- f) such other officer as may be prescribed under the Act.

ix. **“Material Related Party Transaction”** means

As per Companies Act, 2013:

Related party transactions shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, the threshold that may be defined under the Companies Act, 2013 and the Companies (Meeting of Board and its powers) Rules, 2014. The current threshold limits as per Section 188 the Companies Act, 2013 and Rules notified for specific transaction are as given below

Nature of Transaction	Transaction Value
Sale, purchase or supply of any goods or materials directly or through appointment of agents	10% or more of the turnover company
Buying, selling or disposing of property of any kind directly or through appointment of agents	10% or more of net worth of the company
Leasing of any kind of property	10% or more of the turnover company
Availing or rendering of any services directly or through appointment of Agents	10% or more of the turnover company
Appointment to any office or place of profit in the company, Its	monthly remuneration exceeding two and a half lakh rupees

subsidiary company or associate company	
Remuneration for underwriting the subscription of any securities In or derivatives thereof	1% of net worth

As per SEBI listing Regulations:

the transaction/transactions to be entered into, individually or taken together with previous transactions during a financial year, exceeds one thousand crore or ten percent of the annual consolidated turnover of the Company as per the 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.

x. **“Material Modifications”** shall mean: triggering of any of the following conditions whether individually or in aggregate:

- a) Change in overall transaction value of Related Party Transaction beyond 25 % or
- b) As may be decided by the Audit Committee on case to case basis.

Subsequent Material Modifications shall be any change in the material terms of a related party transaction earlier approved by the audit committee of the company.

xi. **“Policy”** means this Related Party Transactions Policy.

xii. **“Related Party”** is a person or an entity which is:

- a related party under Section 2(76) of the Act; and
- a related party under the applicable Accounting Standards and
- a related party under regulation 2(1)(zb) of Listing regulations.

xiii. **“Related Party Transaction/RPT”** means a transaction except for those which have been exempted under the SEBI (LODR) Regulations, 2015, involving a transfer of resources, services or obligations between:

- a) 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
- b) 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 listed entity or any of its subsidiaries;

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.

- xiv. **“Relative”** means relative as defined in the Companies Act, 2013, and rules prescribed there under and under SEBI LODR, as amended from time to time.
 - xv. **“SEBI (LODR) Regulations, 2015”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
- b) Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Act or the SEBI (LODR) Regulations, 2015, as amended from time to time, shall have the meaning respectively assigned to them therein.

4. IDENTIFICATION OF RELATED PARTIES & RELATED PARTY TRANSACTIONS

Every Director and KMP of the Company and its subsidiaries shall provide requisite information about their Relatives and all firms, companies, body corporates, or other association of individuals, in which such Director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary -

- a. at the time of appointment;
- b. periodically – as required by the Company or applicable law; and
- c. whenever there is any change in the information already submitted.

The Company strongly prefers to receive notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction. Every such Director and KMP shall also provide any additional information about the transaction, that the Board/Audit Committee may reasonably request.

5. DETERMINING ORDINARY COURSE OF BUSINESS

In the “Ordinary Course of Business” means usual transactions, customs and practices undertaken by the Company, including, but not limited to sale or purchase of goods, or services, taking premise on leases/rent, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and includes all such activities which the Company can undertake as per Memorandum and Articles of Association of the Company.

6. ASCERTAINING “ARMS’ LENGTH” IN RELATED PARTY TRANSACTION

The expression “arms’ 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. Indicative factors for determining term Ascertainment of Transaction on arm’s length basis are:

- a) Whether the terms of the transaction are in the ordinary course of business.
- b) How the consideration price has been arrived.

- c) Is it comparable with Internal and external industry benchmarks.
- d) Any other relevant documents / information which supports the contention that the transaction is on arm's length basis

7. APPROVALS FOR RELATED PARTY TRANSACTIONS

7.1. Audit Committee

- a. All Related Party Transactions of the Company and subsequent modifications thereto shall require prior approval of the Audit Committee of the Company.
- b. Related Party Transactions to which subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of the transaction (individually or taken together with previous transactions during a financial year) exceeds 10 percent of the annual standalone turnover as per the last audited financial statements of the Subsidiary.
- c. The Audit Committee shall while considering any Related Party Transaction be provided with all material facts, all relevant material information, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party and any other relevant matters, as may be required for taking an informed decision. The Audit Committee while considering any Related Party Transaction can:
 - i. approve the Related Party Transaction; or
 - ii. approve the Related Party Transaction on omnibus basis;
 - iii. where it is not able to approve or reject, forward its recommendation to the Board, or
 - iv. disapprove the Related Party Transaction and in such case, record the reasons for such rejection.
- d. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
 - i. The Audit Committee shall lay down the criteria that shall be considered for granting omnibus approval to Related Party Transactions and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - ii. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
 - iii. While granting omnibus approval, the Audit Committee 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 (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.

- e. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- g. Where the Audit Committee is not approving or rejecting any Related Party Transaction, the Committee can also decide to put up such transaction before the Board and the Board shall consider the same accordingly.
- h. Where with respect to any transaction which is proposed to be entered into with any related party, it is not clear whether such transaction will be treated as a related party, the Company may take assistance of outside counsel.
- i. Only those members of the Audit Committee who are Independent Directors shall approve any Related Party Transaction. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the said transaction.

7.2. Board

- a. Following Related Party Transactions shall require the approval of Board:
 - i. Where the transaction is not in ordinary course of business and/ or not at arm's length as specified in Section 188(1) of the Act, such Related Party Transaction shall require approval of the Board at their meeting as required under the Act or rules made thereunder and statutory modification or enactment thereof.
 - ii. Transactions other than those mentioned in (i) and/or subsequent material modifications, which are referred by the Audit Committee, shall be placed for consideration for approval of the Board.
 - iii. Material Related Party Transactions
- b. Any Board member who has any potential interest in any Related Party Transaction will recuse themselves and abstain from discussion and voting on the approval of the said transaction.

7.3. Shareholders

Following Related Party Transactions shall require the approval of shareholders:

- a. All Material Related Party Transactions & subsequent material modifications therein can be entered into only after obtaining the prior approval of the Company's shareholders by way of a resolution, as prescribed in the Act and/or the SEBI (LODR) Regulations, 2015, irrespective of whether such Related Party Transactions have been entered into in the ordinary course of business of the Company or otherwise, and all Related Parties of the Company shall abstain from voting in favour of such resolution, whether they are a Related Party to the particular transaction or not.
- b. All contracts or arrangements with Related Parties as outlined under Section 188, other than those entered into on an arm's length basis or in the ordinary course of business shall require the approval of the shareholders of the Company by way of a resolution, as prescribed in the Companies Act if the conditions and thresholds prescribed in the Companies Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, are satisfied.

SUMMARY OF THE APPROVAL MECHANISM UNDER SEBI (LODR) REGULATIONS, 2015 AND THE COMPANIES ACT, 2013

Details of Transaction(s)	Approving Authority
All related party transactions (other than those which are exempted) and any subsequent material modifications	1. Audit Committee
RPTs u/s 188 of the Companies Act, 2013 which are not in Ordinary Course of Business or not on arm's length basis or both and less than threshold limits of materiality.	1. Audit Committee 2. Board of Directors of the Company
RPTs u/s 188 of the Companies Act, 2013 which are in not in ordinary course of business or not on arm's length basis or both and beyond threshold limits.	1. Audit Committee 2. Board of Directors of the Company 3. Shareholders of the Company.
Material RPT and subsequent material modifications	1. Audit Committee 2. Board of Directors of the Company 3. Shareholders of the Company

8. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

To determine the need of a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party and such other information as required under the SEBI (LODR) Regulations, 2015 and the Act. In determining whether to approve a Related Party Transaction, the Board/Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- 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;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- 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 ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

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 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.

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

- a. 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.

- b. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- c. resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- d. Such other transactions as specified may be specified by as may be specified by SEBI (LODR) Regulations, 2015 and/or the Act from time to time.

An indicative list of the information to be placed before the Audit Committee, for consideration of RPT is given in Annexure A and will include/exclude such other information as may be prescribed by the SEBI (LODR) Regulations, 2015 and/or the Act as may be amended from time to time.

9. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

Subject to the provisions of the Act and the SEBI (LODR) Regulations, 2015, in the event the Company becomes aware of a Related Party 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/Board, as the case may be.

The Audit Committee/Board 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/Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee/Board under this Policy and shall take any such action it deems appropriate.

The members of the Audit Committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore;
- the transaction is not material in terms of the SEBI (LODR) Regulations, 2015;
- rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- the details of ratification shall be disclosed along with the disclosures of related

party transactions;

- relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law

The Audit Committee may specify any other condition in addition to the above.

The failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may recommend the same for approval of Board and/or 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.

10. DISCLOSURE OF RELATED PARTY TRANSACTIONS

- a. Every material Related Party Transaction or Related Party Transaction which are not on arm's length basis, entered during the financial year into shall be disclosed to in the Board's report to the shareholders in such manner as may be prescribed under the relevant laws.
- b. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- c. Details of Related Party Transactions shall be submitted to the stock exchanges in the format and in accordance with the timelines, as specified by SEBI from time to time. A copy of such disclosure shall be posted on the website of the Company.
- d. The particulars of Related Party Transactions should be entered in the register(s) maintained under the Companies Act, 2013, wherever applicable.

11. DISCLOSURE OF POLICY

This Policy shall be disclosed on the website of the Company and its weblink shall be provided in the Annual Report.

12. REVIEW AND AMENDMENT OF THE POLICY

The Board of Directors shall, upon the recommendation of the Audit Committee, assess the adequacy of this Policy at least once every three years and make any necessary or

desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices 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.

Annexure A – Indicative List of Information to be provided

A. Information to Audit Committee:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - details of the source of funds in connection with the proposed transaction;
 - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

B. Information to be provided to shareholders:

- b. Name of the related party, name of the director or key managerial personnel who is related, if any; nature of relationship;
- c. Nature, material terms, monetary value and particulars of the contract or arrangement; (e) any
- d. A summary of the information provided by the management of the Company to the Audit Committee
- e. Justification for why the proposed transaction is in the interest of the Company;
- f. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the below details to be provided;
 - details of the source of funds in connection with the proposed transaction;
 - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- h. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- i. Any other information that may be relevant.