



Samrat Pharmachem Limited

Manufacturers & Exporters of Pharmaceutical Chemicals

Related Party Transactions & Its Materiality

1. Preamble

The Board of Directors (the “Board”) of Samrat Pharmachem Limited (the “Company” or “Samrat”), has adopted the policy and procedures with regard to Related Party Transactions and also its materiality, described herein and forming a part of this policy document.

The Audit Committee will review and recommend to the Board any amendments required to be made to this policy from time to time and the policy would stand amended on its approval.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties and also determine the materiality of the transactions based on the applicable laws and regulations applicable to the Company.

2. Purpose

This policy has been framed to comply with the requirement of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges where its shares are listed and in terms of Section 188 of the Companies Act, 2013 (hereinafter referred to as “the Act”) read with the relevant rules and intended to ensure the proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties as laid down in the listing agreement and the Act.

Such Related Party transactions are considered appropriate only if they are in the best interests of the Company and its shareholders. The Company is required to disclose this policy on its website and the details of the web link at which the policy can be accessed would be provided in the Annual Report.

3. Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Clause 49 of the Listing agreement and Section 177 of the 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.

“Board” means Board of Directors of the Company.

“Key Managerial Personnel” means Key managerial personnel as defined under the Companies Act, 2013 and includes:

(i) Managing Director, or Executive Director or Chief Executive Officer or Manager; (ii) a Whole-time Director; (iii) Company Secretary; and (iv) Chief Financial Officer

“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, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Policy” means this Policy on Related Party Transactions.

“Related Party” means related party as defined in Clause 49 of the Listing Agreement which means a related party as defined under (i) Section 2 (76) of the Companies Act, 2013, as amended from time to time, and (ii) the accounting standards.

The definition of related party under section 2(76) of the Companies Act, 2013 is reproduced as follows:



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A. Related Party with reference to the Company under Section 2(76) of the Companies Act, 2013 means:

- (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 person under whose advice, directions or instructions a Director or Manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall not 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 of such Company; or (B) a subsidiary of a holding Company to which it is also a subsidiary;
- (ix) Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company;

The definition of related party under the accounting standards is reproduced as follows:

B. Meaning of Related Party under the applicable accounting standards is as follows:

As per AS-18, the parties are related to each other if at any time during the reporting period one party has the ability to control the other party or exercise significant control over the other party in making financial and / or operating decisions.

Control means:

- (a) Ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- (b) Control of the composition of the board of directors of the Company or the composition of the corresponding governing body in case of any other enterprise, or;
- (c) A substantial interest in voting power and the power to direct, by statute or agreement, the financial and / or operating policies of the enterprise.

Related party relationships covered are as under:

- (a) Enterprises, that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associate or joint venture of the reporting enterprise (or an associate or joint venture of a member of a group of which the other entity is a member); or
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) Key Management personnel and relatives of such personnel; and
- (e) Enterprises over which and person described in (c) or (d) is able to exercise significant influence.



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“Related Party Transaction” means any transaction directly or indirectly involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. Explanation: A “transaction” shall be construed to include single transaction or a group of transactions in a contract.

“Relative” means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

1. They are members of a Hindu undivided family;
2. They are husband and wife;
3. Father (including step-father)
4. Mother (including step-mother)
5. Son (including step-son)
6. Son’s wife
7. Daughter
8. Daughter’s husband
9. Brother (including step-brother)
10. Sister (including step-sister)

4. Policy

Every Related Party Transactions proposed to be entered into by the Company must be reported to the Audit Committee for prior approval in accordance with this Policy and applicable laws. If the law requires prior approval of the Board for any Related Party Transactions, or if the Board elects to review and approve any such Related Party Transactions then such transaction shall be approved by the Board.

In accordance with this Policy, the Audit Committee may grant omnibus or blanket approvals for the proposed Related Party Transactions which are regular/routine/repetitive in nature. The Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus/blanket approval for Related Party Transactions that cannot be foreseen up to a value of Rs. 1 crore per transaction.

4.1 Identification of potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy and applicable laws.

Each Director and Key Managerial Personnel shall make an annual declaration to the Company within the first week of the financial year as regards his or her interest, shareholdings in other companies/ body corporates and also the list of relatives and their interest in other companies/ firm/ body corporates and this declaration shall be placed before the Board of Directors at their first meeting held in the financial year. Any change in the declarations as regards any additions/ deletions shall be intimated by the Directors and Key Managerial Personnel by way of a fresh declaration to the Company within 7 days of such change. All such declarations about the change received by the Company shall be placed before the Board at the first subsequent meeting held after the receipt.

The validity of the declaration would be only and upto the date of the first Audit Committee/ Board meeting of the financial year and a fresh declaration is required to be given as mentioned above for each financial year.



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The Company strongly prefers to receive such 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.

4.2 Pricing methodology for Related Party Transactions

The Related Party Transactions with any Related Party should be entered on Arm's Length basis (unless otherwise determined by the Board and in such cases wherever necessary with the requisite approval of the shareholders) and should be negotiated in the same manner as being done while dealing with an independent third party. While fixing the price, due regard should be given to the surrounding business and commercial situation and such situation need to be documented and should be available for inspection by the Board.

4.3 Review and Approval of Related Party Transactions

Prior approval of the Audit Committee

All proposed Related Party Transactions shall be referred to the next regularly scheduled meeting of Audit Committee for its review and approval. It is clarified that No Related Party Transaction shall be entered into without seeking the prior approval of the Audit Committee.

Any member of the Committee or the Directors of the Board who has a potential interest in Related Party Transaction placed before the Committee will in terms of Rule 15 (2) of Companies (Registration Offices and Fees) Rules, 2014 shall not be present at the meeting during discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

Approval through circular resolution

In the event it becomes impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Such approval must be ratified by the Committee at its next scheduled meeting.

Omnibus/blanket approval:

The Committee may also grant an omnibus/blanket approval as per this Policy in respect of Related Party Transactions which are repetitive/routine/regular in nature and are entered on long term contract basis. Such approvals would however be subject to the following details being available while granting such approval;

- (i) Names/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 formula for variation in the price, if any; and
- (iii) Such other conditions/details as the Committee may deem fit. The Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus/blanket approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available up to a value of Rs. 1 crore per transaction.

The omnibus/blanket approval shall be valid for a period not exceeding one year and shall require fresh approvals every year. However, the details of the transactions entered into under such approvals, will be placed for review of the Committee/ Board on a quarterly basis.

Board's Approval



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If the Committee is of the view that a Related Party Transaction should be placed before the Board, or if the Board in any case prefers to review any such Related Party Transaction or if it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at its meeting in accordance with the provisions of this Policy. It is hereby clarified, that until otherwise permitted in law, the Board will not be able to approve a Related Party Transaction by way of a circular resolution.

Information to be provided to the Audit Committee/ Board for approval:

To review a Related Party Transaction, the Committee/ Board must be provided with all relevant material information of the Related Party Transaction like:

- (a) The name of the related party and nature of relationship
- (b) The nature, duration of the contract and particulars of the contract or arrangement
- (c) The material terms of the contract or arrangement including the value, if any;
- (d) Any advance paid or received for the contract or arrangement, if any;
- (e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract.
- (f) 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
- (g) Any other information relevant or important for the Board to take a decision on the proposed transaction. In addition to the justification on arms' length/ in the ordinary course of business and the benefits to the Company and to the Related Party

4.4 Type of Related Party Transactions in the Ordinary Course of Business entered into by the Company.

- Sale/ Purchase of goods and services
- Sale/ Purchase of fixed assets relevant to the business
- Lending of money / investment in securities
- Providing corporate guarantees to bankers to enable the group entities to borrow money from banks/FI
- Contribution towards CSR activity
- Export of finished goods
- Royalty
- Trademark fee
- Commission Income received
- Other Income received
- Commission paid
- Re-imbusement of expenses
- Dividend payment/ receipt



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- Contract manufacturing services
- Clinical trial support services

4.5 Shareholders approval:

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

All Related Party Transactions in excess of the limits prescribed under the Section 188 of the Companies Act, 2013 and the Rules made thereunder, which are not in the ordinary course of business or not on Arm's Length basis shall also require prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

4.6 Exemptions:

- a. Subject to the applicable laws, approval of the audit committee would not be required for the Related Party Transactions entered into by the Company with its wholly owned subsidiaries, whose accounts are consolidated with the Company and place before the shareholders at the general meeting for approval.
- b. Subject to the applicable laws, approval of the board would not be required for the Related Party Transactions which are in the ordinary course of Company's business and entered on Arm's Length basis.

5. Related Party Transactions not approved under this Policy

In the event, the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy, 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

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.

6. Interpretation and Amendment

This Policy shall be subject to the laws to the Company. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may consult the Board or may take help of any of the officers of the Company or an outside expert as it deems fit.

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy, subject to the same being in compliance with the applicable laws.

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