



**Related Party Transaction Policy of Gokul Refoils and Solvent Ltd.**  
**(Approved by Board of Directors at their meeting held on 27.05.2019)**

**Backgrounds:**

The Board of Directors of Gokul Refoils and Solvent Limited (“the Company”) has formulated policy and procedure with regards to dealing with Related Party Transactions and policy on materiality of Related Party Transactions pursuant to Companies Act, 2013 and SEBI(LODR), Regulation, 2015.

SEBI has come up with the amendments to the SEBI (LODR) Regulations, 2015 vide SEBI (LODR) Regulations, 2018

Accordingly company has revised the policy with regards to dealing with Related Party Transactions and policy on materiality of Related Party Transactions pursuant to the said amendment which will be effective from 01<sup>st</sup> April, 2019.

**Objective:**

Related Party Transactions have been one of the major areas to focus for the corporate governance reforms being initiated by Indian legislature

The changes introduced in the corporate governance norms through the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015 require the companies to have enhanced transparency and due process for approval of the Related Party Transactions.

One such requirement is that the companies are required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

**Definitions:**

“**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.

“**Audit Committee**” means the audit committee constituted by the Board of Directors of the Company under the provision of Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

“**Board**” means the Board of Directors of Gokul Refoils and Solvent Limited.

“**Company**” means Gokul Refoils and Solvent Limited.

“**Key Managerial Personnel**” any Key Managerial personnel as defined under the Companies Act, 2013.

“**Policy**” means this Policy, as amended from time to time.



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

- a related party under Section 2(76) of the Act;
- a related party under the applicable Accounting Standards;
- any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company

“**Related Party Transaction**” means a transaction involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes the following transactions:

- 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
- such related party’s appointment to any office or place of profit in the Company, its subsidiary company or associate company and
- underwriting the subscription of any securities or derivatives thereof, of the Company

Explanation: Related Party Transaction includes a single transaction or a group of transactions in a contract, with a Related Party.

“**Material Related Party Transaction**” means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

- In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 2% of the annual consolidated turnover of the Company as per its last audited financial statements;
- In case of any other transaction(s), if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements;

### **Approval for Related Party Transactions:**

#### **1. Prior approval of Audit Committee for Related Party Transactions:**

All related party transactions shall require the prior approval of Audit Committee except for transactions between the Company and its wholly owned subsidiary/(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval (“WOS”).

The approval of the Audit Committee can be granted by way of a circular resolution.

#### **Omnibus approval:**



## GOKUL REFOILS AND SOLVENT LIMITED

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a) 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 repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c) 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.

- d) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transaction entered into by the company pursuant to each of the omnibus approval given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year,

### **2. Prior approval of Board for Related Party Transaction:**

The Board shall approve such Related Party Transactions as are required to be approve under companies Act, 2013 and in compliance of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on subject matter of the resolution relating to such Transaction.

### **3. Prior approval of Shareholders:**

All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company No related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.

Related Party Transactions pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 read with Rule 15 of the



## GOKUL REFOILS AND SOLVENT LIMITED

Companies (Meetings of Board and its Powers) Rules, 2014 shall also require the prior approval of shareholders of the Company by resolution and no member of the company shall vote on such resolution, if such member is a related party:

The requirement of passing the resolution in the General Meeting of the company shall not be applicable for 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.

### **Criteria for approving Related Party Transactions:**

The Board/Committee shall take into account the following, in determining whether to approve, ratify, disapprove or reject a Related Party Transaction and assessing the Related Party transactions:

- a) The Related Party's interest in the Related Party Transaction;
- b) The approximate amount involved in the Related Party Transaction;
- c) The approximate amount of Related Party's interest in the transaction without regard to the amount of profit or loss;
- d) Whether the Related Party Transaction was undertaken in the ordinary course of business of the Company.
- e) Whether the transaction with Related Party is proposed to be, or was, entered on an arms' length basis;
- f) The purpose Transactions of, and potential benefits to the Company from the Related Party
- g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction.
- i) Whether the Related Party Transaction would affect the independence of independent director
- j) Whether the Company was notified about Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company.
- k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors Audit Committee/Board deems relevant.
- l) Any other relevant information regarding the transaction.

### **Disclosure:**

Appropriate disclosures of the Related Party Transaction as required under the prevailing



GOKUL REFOILS AND SOLVENT LIMITED

Laws shall be made in Annual Report, Boards' Report, web site of the company and to the Stock Exchanges on which equity shares of the Company are listed.

**Review of policy;**

The Board of Director shall review this policy once in three years.

**Amendments:**

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.

**Interpretation:**

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI (LODR) 2015 Regulations made there under, Accounting Standards or any other relevant legislation / law applicable 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 seek the help of any of the officers of the Company or an outside expert as it deems fit.