

**THE BARODA RAYON CORPORATION LIMITED**

POLICY ON MATERIALITY OF RELATED PARTY  
TRANSACTIONS AND ON DEALING WITH  
RELATED PARTY TRANSACTIONS

Policy approved by	:	Board of Directors of The Baroda Rayon Corporation Limited
Date of Original Approval		November 13, 2015
Modification effective from	:	April 01, 2019
Modification effective from	:	February 11, 2022
Modification effective from	:	April 1, 2022
Modification effective from	:	February 13, 2026

## 1. PREAMBLE

The Board of Directors (the “Board”) of The Baroda Rayon Corporation Ltd (the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

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

## 2. PURPOSE

This policy is framed as per the provisions of the Companies Act, 2013 (hereinafter referred to as “the Act”) read with rules frame there under, the requirements of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations and amendment thereto, 2015 (hereinafter ‘Listing Regulations’) and Indian Accounting Standards.

This policy intends to ensure proper approval, reporting and disclosure of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The policy seeks to ensure that related party transactions are appropriately reported to the regulatory authorities and are also in compliance with other regulatory requirements like the Listing Regulations, Companies Act, 2013, Income Tax Act, 1961, the applicable India Accounting Standards, etc.

## 3. DEFINITIONS

“**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“**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. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company under provisions of SEBI LODR and Companies Act, 2013 as amended from time to time.

“**Associate Company**” means any other Company, in which the Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a joint venture company.

Explanation – For the purpose of this clause

“significant influence” means control of at least twenty per cent of total sharecapital, or business decisions under an agreement.

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

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Material Related Party Transaction”** shall mean a transaction with a related party where any transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds specified in Schedule XII of the SEBI LODR Regulations, which are based on the Company’s annual consolidated turnover.

<b>Consolidated Turnover of Listed Entity Threshold</b>	<b>Threshold</b>
Up to Rs. 20,000 crore	10% of annual consolidated turnover
More than Rs. 20,000 crore up to Rs. 40,000 crore	Rs. 2,000 crore + 5% of the annual consolidated turnover of the company above Rs. 20,000 crore
More than Rs. 40,000 crore	Rs. 3,000 crore + 2.5% of the annual consolidated turnover of the company above above Rs. 40,000 crore or Rs. 5,000 crore, whichever is lower

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 listed entity as per the last audited financial statements of the listed entity.

All Material Related Party Transactions and subsequent material modifications as defined by the audit committee shall be placed for prior approval of the shareholders through resolution and no related party shall vote on such resolution, whether the entity is a related party to the particular transaction or not.

**“Material modification”** shall mean any subsequent change to an existing Related Party Transaction, having variance by 20% of the existing limit or more or by which the transaction ceases to be in ordinary course and/or on arm’s length basis or such other parameter as may be determined by the Audit Committee from time to time.

All subsequent material modification in related party transactions shall require prior approval of the Audit Committee and shareholders.

**“Ordinary course of business”** means transactions within normal business customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum of Association & Articles of Association of the Company.

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means related party as defined under Regulation 2(1) (zb) of SEBI LODR, Section 2(76) of the Companies Act, 2013 and the rules framed thereunder or under the applicable accounting standards:

Provided that :

- a) any person or entity forming a part of the promoter or promoter group of the Company or
- b) any person or any entity, holding equity shares :
  - i) of twenty per cent or more : or
  - ii) of ten per cent or more, with effect from April 1, 2023: in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year; shall be deemed to be a related party;

**“Related Party Transaction or transaction”** shall have the same meaning as defined in Regulation 2 (zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including all amendments and modifications thereof from time to time.

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

- i. They are members of a Hindu Undivided Family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

The above definitions shall be read as provided in the amended provisions, if any, of the Act, Listing Regulations or any other law or regulation and such change will not be considered as change in this Policy.

Any term(s) not defined in the Policy shall have the same meaning as assigned to such term(s) in the Act and / or the Listing Regulations or any other applicable law or regulation.

#### **4. Policy**

All transactions with Related Parties along with subsequent material modifications shall be in the ordinary course of business and at arm’s length basis and shall be subject to the prior approval of the Audit Committee.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

If any transaction with Related Party(s) is not in the ordinary course of business and/or not at arm's length basis, then:

- a. All such transactions will require prior approval of the Audit Committee;
- b. Will require prior approval of the Board; and
- c. Will require prior approval of the shareholders of the Company by resolution if they exceed the threshold limits mentioned u/s 188 of the Act read with Rules.

Further, any material transactions proposed to be entered into with a related party shall also be approved by the Board of Directors of the Company after they have been approved by the Audit Committee.

In compliance with Listing Regulations, approval of the shareholders through resolution shall be taken for all such material transactions with Related Party(s) and such Related Party(s), irrespective of whether the entity is a party to a particular transaction or not, shall abstain from voting on such resolutions. Approval of the shareholders shall not be required for any transactions to be entered into by the Company with its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

A related party transaction to which a subsidiary is a party but the Company is not a party shall require prior approval of the Audit Committee of the Company if the value of such transaction exceeds Rs. 1 crore, whether entered into individually or taken together with previous transactions during a financial year, and exceeds the lower of the following:

- (i) in case the subsidiary has audited financial statements for at least one year, ten percent of the annual standalone turnover of the subsidiary as per its last audited financial statements; or
- (ii) in case the subsidiary does not have audited financial statements for at least one year, ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
- (iii) the threshold for material related party transactions of the listed entity as specified in Schedule XII of the SEBI (LODR) Regulations.”

#### **4.1 Identification of Related Party and Related Party Transactions:**

Before the start of each financial year, the Company shall draw up a list of 'related parties' in accordance with the definition given in Regulation 2(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from the Directors and Key Managerial Personnel. For this purpose, the Company shall devise an appropriate procedural mechanism.

The Audit Committee, in consultation with the Company Secretary, will review and determine whether any Transaction with such Party(s) will, in fact, constitute a Related Party Transaction requiring compliance with this RPT policy. Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and abstain from participating in the discussion and voting for such item under consideration by Audit Committee and Board, as the case may be.

## **4.2 Approval of Related Party Transactions:**

As mentioned above, all the Transactions proposed to be entered into with Related Parties shall require prior approval from the Audit Committee. Provided that only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions. In the case of the transactions which are repetitive in nature, a list of all proposed Transactions with the Related Party, shall be placed before the meeting of the Audit Committee before the beginning of each financial year; Provided that where the need for Related Party Transaction cannot be foreseen and the required details are not available, the Audit Committee may grant omnibus approval for such Transactions subject to their value not exceeding Rs.1 crore per transaction.

Following details should be provided to the Audit Committee and the Board where omnibus approval for entering into Transactions with Related Party(s) are sought:

- (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 to take a decision on the proposed transaction.

The Audit Committee may call for such additional information as may be required for granting approval to such transactions. In respect of Transactions which are repetitive in nature, the Audit Committee may, after satisfying itself as to the need for granting such approval, provide an omnibus approval for each transaction with Related Party within which the transactions with the Related Parties should be executed during the year. 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. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All material related party transactions and subsequent material modifications as defined by the Audit Committee under sub-regulation (2) shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not:

Provided that prior approval of the shareholders of the Company shall not be required for related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and sub-Regulation (2) of Regulation 15 of these regulations are applicable to such listed subsidiary.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a 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.

### **4.3 Review of Related Party Transactions:**

The Management shall lay down an appropriate framework including the pricing mechanism to ensure arm's length pricing for dealing with the Related Party(s). The Management shall institute appropriate administrative mechanism to ensure that all Related Party Transactions are in compliance and reviewed in accordance with these policies and procedures including maintenance of proper records in this regard.

All the transactions with Related Parties shall be referred to the Audit Committee for review at its scheduled quarterly meetings or as may be called upon by the Audit Committee from time to time along with all relevant information of such transaction(s).

The Audit Committee may refer any of the Related Party Transactions brought before it or it being mandatory under any law, for approval of the Board. The Board may on its own accord also decide to review any Related Party Transaction. The above mentioned procedure as set out in clauses 4.1 to 4.3 of this Policy shall be followed by Board for considering and granting approval to Related Party Transactions.

The Audit Committee shall periodically review this RPT policy and may recommend amendments, from time to time as it may deem appropriate, to the Board.

The Audit Committee may seek advice of external consultants and experts on determining whether a particular transaction which is being considered by the Audit Committee would be regarded on an arms' length basis or otherwise.

Such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

### **4.4 Omnibus approval:**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary 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 and
- b. Such approval shall be applicable in respect of transactions which are repetitive in nature.
- c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- d. Such omnibus approval shall specify (i) the name(s) of the related party(ies), nature of transaction, (ii) Relationship of party(ies) with the Company, (iii) period of transaction, (iv) maximum amount of transaction that can be entered into, (v) the indicative base price / current contracted price and the formula for variation in the price, if any, (vi) such other conditions as the Audit Committee may deem fit.
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Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.

Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

- Transactions exceeding materiality thresholds as laid down in the Policy.
- Transactions in respect of selling or disposing of an undertaking of the Company.
- Financial Transactions e.g. Loan to/from related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
- Any other transaction the Audit Committee may deem not fit for omnibus approval.
- Transaction which are not at Arm's Length price
- Transaction which are not in ordinary course of business
- Transaction which are not repetitive in nature

#### **4.5 Ratification of transactions by Audit Committee:**

A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be presented before the Audit Committee for consideration, and ratification, if 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 conditions specified in clause (f) of sub-regulation (2) of Regulation 23 of Listing Regulations.

Failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit 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.

The details of ratification shall be disclosed along with the disclosures of related party transactions as per requirement of Listing Regulations.

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

- 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.
- 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.
- The transaction pertains to making investment in or granting of loan or issuance of guarantee on behalf of such wholly owned subsidiary.
- The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- Transactions involving corporate restructuring such as capital reduction, merger,

demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Act or Listing Regulations and other applicable provisions.

- Contribution towards Corporate Social Responsibility within the overall limits approved by the Board and CSR Committee.

## **5. Disclosures**

- (a) The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- (b) The Company is also required to disclose this policy on its website.
- (c) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.
- (d) The financial statements should contain disclosures relating to Related Parties as required by Indian Accounting Standard.
- (e) Details of all Related Parties Transactions on a consolidated basis shall be disclosed, on a half yearly basis, to the Stock Exchanges.

## **6. Exemption of prior approval of Audit Committee**

Prior approval of the Audit Committee for the following transactions with the related parties are not sought as the value of the transaction(s) cannot be projected / ascertained.

- (i) Sales return,
- (ii) The Baroda Rayon Corporation Limited Employees Group Gratuity Fund,
- (iii) The Baroda Rayon Corporation Limited Employees Superannuation Scheme,
- (iv) Dividend receipt,
- (v) Dividend payment, and
- (vi) Reimbursement of expenses / income to RPT.

The said transactions will be updated to the Audit Committee as and when respective transaction is entered into. Such a transaction(s) shall not be deemed to violate this policy, or be invalid or unenforceable.

Nothing in this policy shall override any provisions of law made in respect of any matter stated in this policy.

## **7. Amendment**

Any amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

## **8. Review**

Policy would be reviewed and amended as and when required but at least once in three years subject to approval of the Board.