

RELATED PARTY TRANSACTION POLICY

Preamble

The Board of Directors (the "Board") of Orchid Chemicals & Pharmaceuticals Limited (the "Company" or "ORCHID"), has adopted the policy and procedures with regard to Related Party Transactions as stated below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the various provisions of the Companies Act 2013, regulations under the Listing Agreement and applicable to the Company.

1. Purpose

This policy is framed as per requirement of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges and the provisions of the Companies Act 2013 and is intended to ensure the proper reporting and approval of the 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 Company shall disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with the Related Parties.

2. Definitions

"Act" shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

"Arm's Length basis" 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.

"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 a at least twenty percent of total share capital , or of business decisions under an agreement.

"Company" means Orchid Chemicals & Pharmaceuticals Ltd

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

"Board" means Board of Directors of the Company

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

"Key Managerial Personnel" means key managerial personnel of the Company in terms of the Companies Act, 2013 and Rules made thereunder.

"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, whichever is higher

"Policy" means Related Party Transaction Policy.

"Related Party" means a person or an entity:

- i) which is related party under section 2(76) of the Companies Act, 2013 or
- ii) which is a related party under the applicable accounting standards

A **"Related party"** is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and /or operating decisions and includes the following:-

1. A person is related to a Company if that person:

a. is a Related party under Section 2(76) of the Companies Act, 2013 or

- (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) any body 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 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; or

- (x) Such other person as may be prescribed by Central Government.
 - b. has control or joint control or significant influence over the company; or
 - c. is a key management personnel of the company or of a parent of the company;
- or

2. An entity is related to a company if any of the following conditions applies:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company or
- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person identified in (1) (b) has significant influence over the entity (or of a parent of the entity)

“Related party Transaction” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged.

"Relative" means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. One person is related to other person as :
 - 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. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel of the Company is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him /her or his /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.

The Company 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 Prohibitions related to Related Party Transactions

Further, all Material Related Party Transactions beyond the threshold limits prescribed as per the provisions of Companies Act 2013 shall require approval of the shareholders through special resolution and the Related Parties who are members of the Company shall abstain from voting on such resolutions.

4.3 Review and Approval of Related Party Transactions

Audit Committee:

Every Related Party Transaction shall be subject to the knowledge and approval of the Audit Committee whether at a meeting or by resolution by circulation of the Board. Any material related party transactions in excess of threshold limits prescribed as per the law, first time related party transactions, one-off related party transactions, related party transactions which are not on arm's length basis shall have the prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and are on Arms's Length basis, subject to compliance of the conditions contained in Clause 49 of the listing agreement and /or the provisions of the Companies Act 2013.

Any member of the Committee /Board who has potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and /or prescribed under the Companies Act, 2013 and Rules thereunder, and the Listing agreement with the Stock Exchanges.

Board:

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law – Companies Act, 2013 or as per the Listing Agreement - for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the consideration 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.

Shareholders:

All Related Party Transactions which fulfills the conditions mentioned under the Rule 15(3) Companies (Meeting of Board and its Powers) Rules, 2014 and which require approval of Shareholders through special resolution shall be dealt in the same manner and the Related Party/ies with whom transaction is to be entered shall abstain from voting on such resolution.

The revised provision states that a company shall not enter into transaction(s) or transactions without the previous approval of shareholders, where the transaction(s) to be entered into involves the following:

a) Contracts or arrangements with respect to clauses (a) to (e) of Section 188(1) and involves:

1. Sale, purchase or supply of any goods or materials, whether directly or through any agent and wherein the amount involved exceeds ten per cent. of the turnover of the company or Rupees Hundred crore, whichever is lower;
2. Selling or otherwise disposing of or buying property of any kind, directly or through any agent and where the amount involved exceeds ten percent of the net worth of the company or Rupees Hundred crore, whichever is lower;
3. Leasing of property of any kind and the amount involved exceeds ten percent of net worth of the company or ten per cent. of turnover of the company or Rupees One Hundred crore;
4. Availing and rendering of any kind of services, directly or through appointment of agent and which involves amount exceeding ten per cent. Of the turnover of the company or Rupees Fifty Crore, whichever is lower;

The Notification issued by Ministry provides the explanation that the above mentioned limits that are specified for the transaction(s) shall apply to the transactions to be entered into either individually or taken together with the previous transactions during a financial year.

b) Appointment of any person in the office or any place of profit in the company, its subsidiary or associate company at a monthly remuneration exceeding Rupees Two lakh Fifty Thousand;

c) Remuneration for underwriting of subscription of any securities or derivatives of the Company exceeding one percent of net worth of the company.

The Notification issued by Ministry provides the explanation in regard to above provisions that the turnover or the net worth referred in the above Subrules shall be computed on the basis of the Audited Financial Statements of the preceding financial year.

Further, the Explanation (2) of Rule -15 of the Companies (Meetings of Board and its Powers) Rules, 2014 provides that, in case of wholly owned subsidiary, the special resolution passed by the holding company for entering into the transactions between the wholly owned subsidiary and the holding company shall suffice.

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 prior to its consummation, 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 such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

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.

This Policy will be communicated to all concerned employees, persons and entities of the Company.

6. Disclosures

Details of all material transaction with Related Parties shall be disclosed to stock exchanges along with compliance report on corporate governance.

The Company shall disclose the policy on dealing with Related Party Transaction on its website and web-link shall be provided in the Annual Report.

7. Amendments in Law

Any subsequent amendment /modification in the listing agreement and the Companies Act 2013 /or other applicable laws in this regard shall automatically apply to this policy.
