



IEL LIMITED

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POLICY ON MATERIALITY OF AND ON DEALING WITH RELATED PARTY TRANSACTIONS

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TITLE:

This Policy shall be called 'Policy on Materiality of and Dealing with Related Party Transactions'.

OBJECTIVE:

IEL Limited (hereinafter referred to as "the Company") is engaged in the Pigments, Dyes and Chemicals Sector, in the development of high quality Pigments and Chemicals in the World. As a part of its business activity, the Company deals with entities which are related parties. The Company recognizes that Related Party Transactions (as defined below) may have potential or actual conflict of interest and may raise questions whether such transactions are consistent with the Company's and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013 ("the Act") and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR**") (including any statutory any amendments thereto or reenactment thereof).

The Board of Directors (the "Board") of the Company has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of the Act and SEBI LODR as amended from time to time.

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" or "Committee" means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the SEBI LODR and the Companies Act, 2013.

"Board" means the Board of Directors of IEL Limited.

"Company" or "IEL" means IEL Limited.

"Key Managerial Personnel" in relation to a Company means KMP as defined in the Act.

"Material Related Party Transaction" means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees 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.

Notwithstanding the above, 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.

“Material Modifications” means any change in the approved terms which has a financial implication of 25% or more of the contract/transaction value or Rs 5 crore, whichever is lower.

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

“Related Party” means a related party as defined under the Companies Act, 2013 or rule made thereunder and under SEBI LODR as amended from time to time.

“Related Party Transactions” or “RPTs” shall mean such transactions as specified under Act or rules made thereunder and under Regulation 2(1)(ZC) of SEBI LODR, as amended from time to time.

“Relative” means a relative as defined under Section 2(77) of the Companies Act, 2013 and under Regulation 2(1)(ZD) of SEBI LODR, as amended from time to time.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI LODR, SEBI Act, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation, unless the context otherwise require.

IDENTIFICATION OF RELATED PARTIES & TRANSACTIONS:

Every Director will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her Relative is a member or a Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel of the Company / Holding Company will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a Partner;

Every Director, Key Managerial Personnel, officers authorized to enter into contracts/ arrangements will be responsible for providing prior Notice to the Chief Financial Officer with a

copy to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

Besides the above, the Company will also identify other Related Parties as required under the Companies Act, 2013 and under SEBI LODR, as amended from time to time.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

APPROVAL OF RELATED PARTY TRANSACTIONS:

1. All Related Party Transactions and subsequent modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.
2. Only those Members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

Further:

- In case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.
- In case any transaction involving any amount not exceeding one crore rupees is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the Related Party to any Director or is authorized by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

1. The Audit Committee shall lay down the criteria for granting 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;
2. The Audit Committee shall satisfy for following criteria while making omnibus approval and that such approval is in the interest of the Company:
 - a. Such omnibus approval shall specify the following:
 - i. Name(s) of Related Party
 - ii. Nature of transaction
 - 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, and;
 - vi. Such other conditions as the Audit Committee may deem fit.

In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. One Crore per transaction or such amount as may be prescribed from time to time.

All Omnibus approvals granted pursuant to Companies Act, 2013 and SEBI LODR shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year. However, the Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

These provisions shall not apply to a transaction, other than a transaction referred to in section 188, between a holding Company and its wholly owned subsidiary Company.

A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered.

The Board would approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or SEBI LODR and/or transactions referred to it by the Audit Committee.

Where any director is interested in any Related Party Transaction, such director will not remain present at the meeting when such Related Party Transaction is considered.

Information to be reviewed by the Board/Audit Committee for approval of Related Party Transaction(s)

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including:

- 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 Related Party Transaction 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:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. 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;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such

funds pursuant to the Related Party Transaction.

- g. Justification as to why the Related Party Transaction 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 Related Party Transaction on a voluntary basis;
- j. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring Related Party Transaction(s) on an annual basis.

In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis as 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 impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present a conflict of interest for any Director, or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

Further, in terms of the provisions of the SEBI LODR all Material Related Party Transactions and subsequent material modifications, as may be prescribed from time to time, shall require requisite approval of shareholders of the Company (unless it is exempted pursuant to the provisions of SEBI LODR) and no Related Parties shall vote to approve on such resolution(s) whether the entity is a related party to the particular transaction or not.

Information to be provided to shareholders for consideration of Related Party Transaction(s)

The notice being sent to the shareholders seeking approval for any proposed Related Party Transaction shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the Audit Committee as specified above;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified above.
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email

- address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis;
 - f. Any other information that may be relevant.

All Related Party Transactions pursuant to Section 188 of the Companies Act, 2013 which are not in the ordinary course of business and / or not an Arms' length basis and which crosses the threshold limits prescribed under Companies Act, 2013 from time to time, shall also require the requisite approval of shareholders of the Company through resolution.

The voting rights of the interested and non-interested Related Parties shall be governed by the applicable provisions of the Act, Listing Regulations and any other applicable law, from time to time.

"Ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per the Memorandum & Articles of Association of the Company.

In case, the shareholders do not approve a Related Party Transaction, the Board / Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

The Company shall submit to the stock exchange(s) disclosures of Related Party Transactions in the format and timeframe(s) as specified by the SEBI, from time to time and the same will be published on website.

Every Related Party Transaction / contracts or arrangements that are:- (i) material or (ii) not at arm's length basis and/ or ordinary course of business, shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction as per the requirement of the Companies Act, 2013.

The various business heads, department heads or any person authorized to enter into any transaction on behalf of the Company shall in case of a related party transactions, first consult the CFO/MD and obtain his confirmation that the transaction is both in the ordinary course of business and at Arm's length basis and requisite approvals are in place.

AMENDMENTS

The Audit Committee may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, from time to time.

The Board may also make any amendments to the Policy from time to time, based on the recommendations of the Audit Committee.

Further, the Board will review this Policy from time to time as prescribed under the Act or

Listing Regulations

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the SEBI LODR / SEBI Act, 1992 / the Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Acts, rules, regulations or statutory enactments thereof shall prevail over this Policy.

DISSEMINATION OF POLICY

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.
