

RALLIS INDIA LIMITED

RELATED PARTY TRANSACTIONS POLICY **(Revised as on March 15, 2016)**

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1. SCOPE AND PURPOSE OF THE POLICY

Related Party Transactions can present a potential or actual conflict of interest, which may be against the best interest of the Company and its Shareholders. Considering the requirements for approval of Related Party Transactions as prescribed under the Companies Act, 2013 (hereinafter referred to as “the Act”) read with the Rules framed there under and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “the Listing Regulations”), Rallis India Limited (hereinafter referred to as “Rallis”) has formulated guidelines for identification of Related Parties and the proper conduct and documentation of all Related Party Transactions.

Further, Regulation 23 of the Listing Regulations requires a Company to formulate a policy on materiality of related party transactions and dealing with Related Party Transactions.

In view of the above, Rallis has framed this Policy on Related Party Transactions (hereinafter referred to as “Policy”). This Policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee. Going forward, the Audit Committee may review and amend the Policy, as and when required, subject to the approval of the Board.

2. ABOUT THE COMPANY

Rallis is a Company incorporated under the Indian Companies Act, 1913. It has its Registered Office at Mumbai and is a Tata Enterprise, engaged in the business of providing crop care solutions and agri services to the farming community. It is a subsidiary of Tata Chemicals Limited and is listed on BSE Ltd. and The National Stock Exchange of India Ltd.

3. OBJECTIVE OF THE POLICY

The objective of this policy is to set out (a) the materiality thresholds for Related Party Transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Listing Regulations and any other laws and regulations as may be applicable to the Company.

4. APPLICABILITY

The Policy will be applicable to the Company with respect to all prospective Related Party Transactions.

All existing material related party contracts or arrangements which came into effect before the commencement of Section 188 of the Act will not require fresh approval till the expiry of the original term of such contracts. However, if any modification in such contract is made on or after April 1, 2014, approval would need to be obtained as provided in this Policy.

All existing material related party contracts or arrangements entered into prior the date of notification of the Listing Regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to the notification of the Listing Regulations. .

5. KEY DEFINITIONS

“Audit Committee” shall mean the Audit Committee constituted by the Board of the Company from time to time, in line with the provisions of the Act and RC49.

“Board of Directors” or **“Board”** shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Act and RC49.

“Key Managerial Personnel” in relation to the Company means:

- i. The Chief Executive Officer or the Managing Director or the Manager;
- ii. The Company Secretary;
- iii. The Whole-time Director;
- iv. Chief Financial Officer

“Material Related Party Transaction” is a transaction with a Related Party, which either individually or taken together with previous transactions with a Related Party 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.

“Related Party” means a related party as defined under sub-section (76) of Section 2 of the Act or under the applicable accounting standards. Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on recognised stock exchange(s).

“Related Party Transaction” is a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A **"transaction"** with a related party shall be construed to include single transaction or a group of transactions in a contract. Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on recognised stock exchange(s).

“**Relative**” means relative as defined under sub-section (77) of Section 2 of the Act and Rules prescribed there under. Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on recognised stock exchange(s).

6. MATERIALITY THRESHOLDS

The Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which the Shareholders’ approval will be required by way of a resolution. Rallis has fixed its materiality threshold at ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, for the purpose of Regulation 23 of the Listing Regulations.

7. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

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

7.1. 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/ her or his/ her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the Disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

Procedure for identification of potential Related Party Transactions

The Company Secretary shall at all times maintain a database of the Company’s Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in the Key Definition Section above, along with their personal/ Company details, including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

The Company Secretary shall be responsible for collation of information, coordination and sending the Related Party List to the concerned persons.

7.2 Approval of Related Party Transactions

7.2.1 Prior approval of Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee, whether at a meeting or by Resolution by circulation.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

Procedure for approval

The Audit Committee will be provided with all relevant material information of Related Party Transactions, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/ or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in the Ordinary Course of Business or not on Arm's Length or Material Specific Transactions and assure themselves that the same are in the interest of the Company and its Shareholders.

Omnibus Approval

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, after obtaining approval of the Board of Directors, shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.

- b) The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company;
- c) Such omnibus approval shall specify -
 - the name/s of the Related Party, nature of transaction, period/duration of transaction, maximum amount of transaction in aggregate that can be entered into during the year, maximum value per transaction;
 - the indicative base price/ current contracted price and the formula for variation in the price if any; and
 - 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, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- d) The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions 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 financial year and shall require fresh approvals after the expiry of such financial year.

No omnibus approval shall be granted for transactions in respect of selling or disposing of the undertaking of the Company. The Audit Committee may, at its discretion, provide for other transactions that cannot be approved through omnibus approval.

While Regulation 23 of the Listing Regulations provides that the requirement for seeking Audit Committee approval shall not be applicable to transactions between Rallis and its wholly owned subsidiary/ies whose accounts are consolidated with Rallis, no such exemption is currently provided under the Act. Hence, Rallis will be able to avail the benefit of the above relaxation once suitable circular/notification is issued by the Ministry of Corporate Affairs.

7.2.2 Prior approval of Board of Directors

Transactions with Related Parties which are either not in the Ordinary Course of Business or are not at Arms' Length shall require pre-approval by the Board. Such approval shall be given only by means of a Resolution passed at a Meeting of the Board. Rallis may if it considers necessary, and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether a Related Party Transaction is in the Ordinary Course of Business and/ or at Arms' Length.

Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the Meeting during discussions on the subject matter of the Resolution relating to such contract or arrangement.

In addition to the above, the following kinds of transactions with Related Parties will also be placed before the Board for its approval:

- Transactions which may be in the Ordinary Course of Business and at Arm's Length Basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/ or other parameters), will require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the Ordinary Course of Business and/ or at Arm's Length Basis and decides to refer the same to the Board for approval;
- Transactions which are in the Ordinary Course of Business and at Arm's Length Basis, but which in the Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down in Clause 6 of the Policy, which are intended to be placed before the Shareholders for approval.

The Agenda of the Board Meeting at which the Resolution is proposed to be moved for approval of the Related Party Transaction shall disclose the following details:

- (i) the name of the Related Party and the nature of relationship;
- (ii) the nature, duration and particulars of the contract or arrangement;
- (iii) the material terms of the contract or arrangement, including the value, if any;
- (iv) any advance paid or received for the contract or arrangement, if any;
- (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of contract;
- (vi) 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
- (vii) any other information relevant or important for the Board to take a decision on the proposed transaction.

While assessing a proposal put up before the Audit Committee/ Board for approval, the Audit Committee/ Board may review the following documents/ seek the following information from the Management in order to determine if the transaction is in the Ordinary Course of Business and at Arm's Length or not:

- + Nature of the transaction i.e. details of goods or property to be acquired/ transferred or services to be rendered/ availed, including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- + Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- + Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- + Special terms covered/ to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- + Benchmarking information that may have a bearing on the Arm's Length Basis analysis, such as:
 - o market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - o third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - o management assessment of pricing terms and business justification for the proposed transaction;
 - o comparative analysis, if any, of other such transaction entered into by the Company.

7.2.3 Prior approval of Shareholders

Shareholders' approval shall be sought for transactions with Related Parties in the following cases:

- All Material Related Party Transactions shall require approval of the Shareholders through a resolution and all entities falling under the definition of Related Parties shall abstain from voting on such resolution, irrespective of whether the entity is a party to the particular transaction or not.

The requirement for seeking Shareholders' approval shall not be applicable to transactions between Rallis and its wholly owned subsidiary/ies whose accounts are consolidated with Rallis.

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- Transactions with Related Parties, other than Material Related Party Transactions, which are either not in the Ordinary Course of Business or are not on an Arm's Length Basis and exceeds the thresholds provided under the Act, shall also require the prior approval of the Shareholders by a Resolution and the Related Parties, who are related in the context of the contract or arrangement for which the Resolution is being passed, shall abstain from voting on such Resolution.

Threshold limits prescribed under the Companies Act, 2013 are as follows:

Nature of transaction	Monetary threshold limit
Sale, purchase or supply of goods or materials (directly or through appointment of agent)	Exceeding 10% of the turnover of the Company or Rs.100 crores, whichever is lower*
Selling or otherwise disposing of, or buying property of any kind (directly or through an agent)	Exceeding 10% of the net worth of the Company or Rs.100 crores, whichever is lower*
Leasing of property of any kind	Exceeding 10% of the net worth of the Company or 10% of the turnover of the Company or Rs.100 crores, whichever is lower*
Availing or rendering of any services (directly or through an agent)	Exceeding 10% of the turnover of the Company or Rs.50 crores, whichever is lower*
Appointment to any office or place of profit in the company, subsidiary company or associate company	Remuneration exceeding Rs.2.5 lakhs per month
Underwriting the subscription of any securities or derivatives thereof of the Company	Remuneration exceeding 1% of the net worth of the Company

* Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a Financial Year.

The turnover or net worth referred to above shall be computed on the basis of the audited financial statements of the preceding Financial Year.

7.2.4 Related party transactions not approved under this Policy

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Shareholders, payment of compensation for the loss, if any, suffered by any party to the transaction, etc. In connection with any review/ approval of a Related Party Transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy.

8. DISCLOSURES

Rallis shall disclose, in the Board's Report forming part of the Annual Report, transactions prescribed under 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.

In addition to the above, Rallis shall also provide details of all Related Party Transactions meeting the materiality threshold (laid down in Clause 6 of the Policy above) on a quarterly basis to the Stock Exchanges where it is listed.

This Policy shall be uploaded on the website of Rallis at www.rallis.co.in and a web link thereto shall be provided in the Annual Report of the Rallis.