

**Chromatic India Limited**  
**“Related Party Transactions”**

## **1. SCOPE AND PURPOSE OF THE POLICY**

Related Party Transactions can present a potential 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 Section 188 of the Companies Act, 2013 (“**Act**”) read with Rules framed there under and Clause 23 of the SEBI ( Listing Obligation and Disclosure Requirements), 2015, Chromatic India Limited ( “**CIL**” or the “**Company**”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all the related party transactions.

In light of the above, CIL has framed this policy on Related Party Transactions (“ **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 would review and amend the policy, as and when required, subject to the approval of the Board.

## **2. OBJECTIVE OF THE POLICY**

The objective of the policy is to set out :

- a) the materiality thresholds for related party transactions
- b) the manner of dealing with the transactions between the company and its related parties based on the Act, Clause 23 of the SEBI ( Listing Obligation and Disclosure Requirements), 2015 and any other laws and regulations as may be applicable to the company.

## **3. DEFINITIONS**

- a) “ **Arm’s Length Transactions ( “ALP”)** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- b) “ **Audit Committee or Committee”** means the committee of the Board constituted from time to time under the provisions of Clause 18 of the SEBI ( Listing Obligations and Disclosure Requirements), 2015 and Section 177 of the Companies Act, 2013.
- c) “ **Board”** means the Board of Directors as defined under Companies Act, 2013
- d) “ **Material Related Party Transactions”** means a Related Party Transactions which individually or taken together with the previous transactions during the financial year , exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 or the Listing Agreement, whichever is stricter from time to time.
- e) “**Related Party”** means a related party defined under the Companies Act, 2013 read with Clause 49 of the Listing Agreement and as amended from time to time.
- f) “ **Related Party Transaction”** means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes :
  - i) Sale , purchase or supply of any goods or materials;
  - ii) Selling or otherwise disposing of, or buying property of any kind;
  - iii) Leasing of property of any kind;
  - iv) Availing or rendering of any services;
  - v) Appointment of any agent for the purchase or sale of goods, materials, services or property;
  - vi) Such Related party’s appointment to any office or place of profit in the Company, its subsidiary Company or associate company;
  - vii) Underwriting the subscription of any securities or derivatives thereof, of the Company;
  - viii) Financing ( including loans and equity contributions in cash or kind);
  - ix) Providing or obtaining guarantees or collaterals; and
  - x) Deputation of employees

( The above is an indicative list and not an exhaustive one)

**g. “ Relative”** means a relative as defined under the Companies Act, 2013 and includes anyone who is a relative in any of the following manner –

- i) Members of a Hindu Undivided Family;
- ii) Husband or wife;
- 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); or
- x) Sister( including Step Sister)

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

The terms “ **Director, Chief Financial Officer, Company Secretary,** shall have the same meaning as assigned under the Companies Act, 2013.

#### **4. Materiality Thresholds**

Clause 30 of SEBI ( Listing Obligation and Disclosure Requirements), 2015 requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of special resolution. The Company has fixed its materiality thresholds at 10 % of the Annual Consolidated turnover of the Company as per last audited financial statements of the Company.

#### **5.Review and Approval of Related Party Transactions**

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by Resolution by Circulation or through electronic mode. A member of the committee who if has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such related party transaction and shall not be counted in determining the presence of a quorum when such transaction is considered.

## **5.1 Consideration by the Committee in Approving the Proposed Transaction**

While considering any transaction , the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits of the Company and to the related party, and any other relevant matters.

Prior to the approval, the Committee shall, inter alia, consider the following factors to the extent relevant to the transaction:

- a) Whether the terms of the Related Party Transaction are in the ordinary course of the Company's Business and are on an arm's length basis;
- b) The business reasons for the company to enter into Related Party Transactions and the nature of the alternative transactions if any; and
- c) Whether the Related Party Transactions includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration the subsequent events ( i.e the events after the initial transactions have commenced) like evolving business strategies/ short term commercial decisions to improve/sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global/ domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

## **5.2 Approval by Circular Resolution of the Committee :**

In the event the Company Management determines that it is undesirable or impracticable to wait until a meeting of the Committee to enter into a Related Party Transaction , such transaction may be approved by the

Committee by way of Circular Resolution in accordance with this policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

### **5.2.3 Approval of Material Related Party Transaction**

All material related party transactions shall require prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

### **5.2.4 Transactions not in Ordinary Course of Business or not an Arms Length**

All Related Party Transactions in excess of the Limits prescribed under the Companies Act, 2013 which are not in the Ordinary Course of the business or not at Arms Length shall also require prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

### **5.2.5 Related Party Transactions not previously approved**

In the event the Company becomes aware of a Related Party transaction that has not been approved or ratified under this policy , the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with the policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the company , including but not limited to ratification, revision, or termination of such transaction , and the Company shall take such action as the Committee deems appropriate under the circumstances.

## **6. Disclosure and Reporting of Related Party Transactions**

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholder's along with justification of entering into such transaction. The Company Secretary shall make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

## **7. Scope Limitation**

In the event of any conflict between the provisions of this Policy and any of the Listing Agreement/Companies Act, 2013 or any other statutory enactments , rules, provisions of such Listing Obligation and Disclosure Requirements), 2015 /Companies Act, 2013 or statutory enactments , rules shall prevail over this policy.

## **8. Dissemination of Policy**

Either this policy or the important provisions of the policy shall be disseminated to all the functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company.