Gujarat State Fertilizers & Chemicals Limited

Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions of the Company *(Draft)*

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1. Introduction

1.1. Applicability

1.1.1. The Board of Directors ("the Board") of Gujarat State Fertilizers & Chemicals Limited ("the Company" or "GSFC"), on recommendation of the Finance-cum-Audit Committee, has adopted this Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions of the Company ("RPT Policy").

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

1.2. Purpose and Review

1.2.1. This RPT Policy is framed as per requirement Regulation 23 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ("SEBI Listing Regulations") and the Companies Act, 2013 ("Act"), as amended from time to time.

1.2.2. This RPT Policy is intended to ensure that proper reporting, approval, and disclosure processes are in place for all transactions between the Company and its Related Parties. This RPT Policy specifically deals with the review and approval of Material Related Party Transactions and also dealing with Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

1.2.3. The Board, on recommendation of the Finance-cum-Audit Committee, shall review the RPT Policy once in three years and if required, amend the same, from time to time.

1.3. Implementation

1.3.1. Finance-cum-Audit Committee shall determine the procedure to be followed in order to comply with the RPT Policy and the same will be communicated to all concerned directors, employees and other persons of the Company.

2. Definitions and Interpretation

2.1. Definitions

2.1.1. **"Annual Turnover"** and **"Annual Consolidated Turnover"** means turnover of the Company as reflected in the Audited Financial Statements of the preceding Financial Year on standalone and consolidated basis respectively;

2.1.2. **"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.

2.1.3. **"Arm's Length Price"** means a price which is applied or proposed to be applied in a transaction between two unrelated persons;

2.1.4. **"Finance-cum-Audit Committee"** means the Committee of the Board of Directors of the Company constituted under provisions of the Act, SEBI Listing Regulations and any other applicable laws, regulation, and rules;

2.1.5. **"Material Related Party Transaction"** means a transaction with a related party if –

(a) **the transaction(s) as provided in Section 188 of the Act** entered into with a related party as defined under Section 2(76) of the Act that is not in its ordinary course of business other than transactions which are not on an arms' length basis and exceeds the threshold as specified in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.; or

(b) **the transaction(s) under SEBI Listing regulations** with a related party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the threshold specified in the SEBI Listing Regulations read with its Schedule XII.

Provided that, 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.

2.1.6. **"Material Modification"** means any modifications, either individually or taken together with any previous modification, made in nature, value/exposure, or other terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved by the Finance-cum-Audit Committee, Board and/or shareholders, which has the effect of variation in the approved value of the transaction, by 10% or more or Rs. 55 crores, whichever is higher, or by which the transactions cease to be in its ordinary course and/or on an arm's length or such other parameter, as may be determined by the Finance-cum-Audit Committee from time to time.

Provided that, a modification mandated pursuant to change in law, or pursuant to and in accordance with the terms of the approved transactions/contract, or resulting from change in constitution of either of the parties pursuant to scheme of arrangement (e.g. merger, amalgamation, demerger, etc.) or is of a nature which is purely technical and does not result in substantive change or alteration of rights, interest, and obligations of any of the parties, or is uniformly affected for similar transactions with unrelated parties shall not be regarded as material modification.

2.1.7. **"Net worth"** means net worth of the Company computed in accordance with Section 2(57) of the Act based on the Audited Financial Statements of the preceding Financial Year;

2.1.8. **"Relative"** shall mean 'relative' as defined in Section 2(77) of the Act read with Regulation 2(1)(zd) of SEBI Listing Regulations;

2.1.9. "**Related Party**" shall mean and include -

(a) a person which is considered as 'related party under Section 2(76) of the Act;

(b) a person or entity that is related to the Company as defined under Regulation 2(1)(zb) of the

SEBI Listing Regulations, as may be amended from time to time;

(c) an entity which is related party under the applicable Accounting Standard; or

(d) any company on whose Board, GSFC has nominated a person to act as director of such company.

2.1.10. "**Related Party Transaction**" means any transaction as per Regulation 2(1) (zc) of the SEBI Listing Regulations, as may be amended from time to time, directly or indirectly with any Related Party involving a transfer of resources, services or obligations between the Company or any of its subsidiaries and a related party, regardless of whether a price is charged or not, and it also includes any transaction specified in Section 188 of the Act.

2.2. Interpretation

The term 'significant influence' would mean participation in the financial and / or operating policy decisions of an enterprise, but not necessarily control implementation of those policies. Whether a person or entity exercises "significant influence" over the other entity would need to be determined after taking into consideration totality of all the relevant consideration and therefore quantitative thresholds cannot be prescribed. Significant influence may be gained by share ownership, statute or agreement.

Any term not defined in the RPT Policy shall have the same meaning assigned to it under the Act or the SEBI Listing Regulations or relevant Accounting Standard(s) and preference should be given to each source of interpretation in the order in which they have been mentioned here.

3. Review and Approval of Related Party Transactions

3.1. Policy

3.1.1. All Related Party Transactions, except referred to in Para 3.10, must be reported to the Finance-cum-Audit Committee and referred for prior approval by the Committee in accordance with this RPT Policy.Where any director is considered interested in any transaction with Related Party, such director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction. However, the Finance-cum-Audit Committee may grant omnibus approval for the Related Party Transactions proposed to be entered into by theCompany in accordance with Para 3.7 of this RPT Policy.

3.1.2. Upon approval by the Finance-cum-Audit Committee, Related Party Transactions must be referred to the Board for prior approval in accordance with this RPT Policy. Where any director is considered interested in any transaction with Related Party, such director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.

3.1.3. Upon approval by the Finance-cum-Audit Committee and Board, all Material Related Party Transactions and subsequent material modifications as defined by the committee shall require prior approval of the shareholders through resolution and no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

3.1.4. Any Related Party shall not be eligible for appointment as auditor (including internal auditor,cost

auditor, secretarial auditor, etc.) of the Company.

3.1.5. In case where Act or the SEBI Listing Regulations or SEBI Guidelines or any other statutory requirement is more stringent (i.e. contains additional approvals or restrictions or disclosures or intimations) in relation to any transaction then the requirements contained in the respective statute shall also be required to be fulfilled and observed in addition to compliance with this RPT Policy.

3.2. Identification of Related Parties

3.2.1. Each related party will be brought to the attention of the Management of the Company and the Board /Finance-cum-Audit Committee by the Company's Secretarial Department at least on a quarterly basis.

3.2.2. The Secretarial Department of the Company will inform any change in the list of related party including related parties of the subsidiaries to functional teams of the Company and its Subsidiaries to identify the Related Party Transactions at least on a quarterly basis.

3.2.3. Finance-cum-Audit Committee shall determine the procedure to be followed for declaration as well as compilation and circulation of the comprehensive list of Related Parties.

3.3. Identification of Potential Related Party Transactions

3.3.1. All the Related Party Transactions and subsequent material modification shall be identified and brought to the notice of the Finance-cum-Audit Committee of the Company. Any employee of the company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Finance-cum-Audit Committee of the company though the Company Secretary.

3.3.2. All Directors, and Key Management Personnel (KMPs) are responsible for informing the company of their interest (including interest of their relative) in other companies, firms or concerned at the beginning of every financial year and also at the time of any change in such interest during the year. In addition, all Directors, and KMPs are responsible for providing notice to the Company Secretary of any potential related party transaction involving him/her or his or her relative, including any additional information about the transaction that the Finance-cum-Audit Committee may request. The Board shall record the disclosure of interest and the Finance-cum-Audit Committee will determine whether the transaction is in the Ordinary Couse of Business and on an Arm's Length basis.

Such notice of any potential related party transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Finance-cum-Audit Committee.

3.4. Review and approval of Related Party Transactions by Finance-cum-Audit Committee:

a. In terms of Regulation 23(2), prior approval of the Finance-cum-Audit Committee of the Company has to be obtained for all Related Party Transactions and subsequent Material Modifications undertaken by the Company.

Provided that a Related Party Transaction above Rupees One Crore to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the Finance-cum-Audit Committee of the Company if the value of the transaction whether entered into individually or taken together with previous transaction during a financial year exceeds. the lower of the following :

(i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or

(ii) the threshold for material related party transactions of the Company as specified in Schedule XII of SEBI Listing Regulations.";

Provided further that in the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a Company is a party but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the Finance-cum-Audit Committee of the Company shall be obtained if the value of such transaction exceeds the lower of the following:

(i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or

(ii) the threshold for material related party transactions of the Company as specified in Schedule XII of SEBI Listing Regulations.

b. All Related Party Transactions shall be approved in the manner as stipulated under the SEBI Listing Regulations.

c. The Finance-cum-Audit Committee shall be provided with all relevant material information in accordance with the requirements of the SEBI Listing Regulations and the Act, the rules made thereunder as amended from time to time or as requested by the Finance-cum-Audit Committee.

Relevant information specified under the Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions" notified vide SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 dated June 26, 2025 read with related circulars, clarifications, guidelines and notifications issued thereunder (as amended from time to time).

In determining whether to approve a Related Party Transaction, the Finance-cum-Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, in the interest of the Company, to enter a transaction with a Related Party. Further, the Finance-cum-Audit Committee shall also assess / determine if the transaction is in the Ordinary course of business and is proposed to be entered on an Arm's length basis.

d. Any member of the Finance-cum-Audit Committee who has a potential interest in any Related Party Transaction shall recuse himself or herself from the meeting and shall abstain from discussion and voting on the approval of the related party transaction.

3.5. Review and approval of Related Party Transactions by Board of Directors:

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being:

i. not in the ordinary course of business, or
ii. not at an arm's length basis, or
iii. a transaction which is not covered under Related Party Transaction, but recommended by the Finance-cum-Audit Committee,

the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

3.6. Review and approval of Related Party Transactions by Shareholders:

Prior approval of the shareholders of the Company shall be obtained for Material Related Party Transaction or a subsequent material modification under SEBI Listing Regulations except for the following:

i. The Company's transactions with its wholly owned subsidiaries.
ii. Transaction between two wholly owned subsidiaries of the Company.
iii. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
iv. Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

The shareholders shall be provided with relevant information as per applicable law and as specified under the Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions" notified vide SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 dated June 26, 2025 read with related circulars, clarifications, guidelines and notifications issued thereunder (as amended from time to time).
All the shareholders of the Company who are related parties cannot vote to approve the resolution.

3.7. Omnibus approval by Finance-cum-Audit Committee for Related Party Transactions:

The Finance-cum-Audit Committee may grant omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 (3) of the SEBI Listing Regulations for Related Party Transactions which are of repetitive/regular nature proposed to be entered into.

The Finance-cum-Audit Committee shall grant Omnibus approval as per following criteria:

i. The Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
ii. Proposal for Omnibus approval shall specify the following information:

a. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
b. the indicative base price / current contracted price and the formula for variation in the price if any;
c. Relevant information specified under the Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions" notified vide SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 dated June 26, 2025 read with related circulars, clarifications, guidelines and notifications issued thereunder (as amended from time to time); and
d. such other conditions as the Finance-cum-Audit Committee may deem fit:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Finance-cum-Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

The Finance-cum-Audit Committee shall review on a quarterly basis the details of such Related Party Transactions entered into pursuant to each of the omnibus approvals given. The approval will remain valid for a period of one financial year and shall be required fresh approval after the expiry of the one year.

3.8. Reporting of Related Party Transactions:

The Company shall disclose every Material Related Party Transactions which are approved by the Finance-cum-Audit Committee / Board/ shareholders under this RPT Policy, in its Board's report to the shareholders along with the justification for entering such Transaction. The Company will include details of Material Related Party Transactions in the corporate governance reports to be submitted with the stock exchanges on a quarterly basis.

The Company will make appropriate disclosures as required under the Act and the SEBI Listing Regulations.

3.9. Related Party Transactions not approved under this RPT Policy

3.9.1. In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this RPT Policy prior to its consummation, the matter shall be reviewed by the Committee / Board. The Committee / Board 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 / Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this RPT Policy, and shall take any such action it deems appropriate.

3.9.2. In any case, where the Committee / Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee / Board, 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 / Board has authority to modify or waive any procedural requirements of this RPT Policy.

3.10. Exceptions

3.10.1. Approvals of Finance-cum-Audit Committee / Board of Directors / Shareholders under this RPT Policy shall not be applicable in the following cases:

(a) Transaction entered into by the Company with wholly owned subsidiary, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(b) 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

(c) The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

i payment of dividend;
ii subdivision or consolidation of securities;
iii issuance of securities by way of a rights issue or a bonus issue; and
iv buy-back of securities

(d) Any transaction that involves the providing of compensation to a director in connection with his or her duties to the Company.

(e) Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of SEBI Listing Regulations.

(f) 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.

(g) Transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company (Being Holding Company) and placed before the shareholders at the general meeting for approval.

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