

POLICY ON RELATED PARTY TRANSACTIONS

1. Introduction

M/s Southern Petrochemical Industries Corporation Ltd. [SPIC] is currently engaged in the manufacturing and sale of Ammonia and Urea catering to the needs of farmers, primarily in South India. SPIC has been in the Corporate arena since 1969.

The Board of Directors of SPIC has taken cognizance of the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, and the Listing Agreement, and accordingly drawn a Policy which will govern the transactions with the Related Parties. The Policy will ensure that transactions with Related Parties are in the interest of its Shareholders and Stakeholders, which will not have potential or actual conflict of interest.

1.1 Scope and purpose of the Policy

The Board of Directors of the Company have adopted the following policy and procedures with regard to Related Party Transactions. The Audit Committee will review and may amend the Policy as and when required with the approval of the Board.

The objective of this Policy is to regulate transactions between the Company and its Related Parties as determined based on the Companies Act, 2013, Listing Agreement, SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and any other laws and regulations as may be applicable to the Company.

2. Definitions

2.1 “Act” means the Companies Act, 2013 including any amendment or modification thereof.

2.2 “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.

2.3 “Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.

2.4 “Listing Agreement” means the Agreement as entered into by the Company with the Stock Exchange(s) as governed by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”), including any amendment or modification thereof.

2.5 “Company” means M/s Southern Petrochemical Industries Corporation Limited.

2.6 “Director” means a person as defined in Section 2(34) of the Companies Act, 2013.

2.7 “Employees” shall mean the employees of the Company, including but not limited to those on contractual basis.

2.8 “Key Managerial Personnel” shall mean persons defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder, Listing Agreement, Indian Accounting Standards and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 as amended from time to time.

2.9 “Material Modification” in respect of

(a) a related party transaction originally approved by the Audit Committee, shall require prior approval of Audit Committee based on limits as detailed below:

- Upto Rs.25 lakhs – any change upto 50% is not considered material
- More than Rs.25 lakhs and upto Rs.5 crores – any change of 25% and above
- More than Rs.5 crores and upto Rs.25 crores – any change of 20% and above
- More than Rs.25 crores – any change of 15% and above

and that such change is arising out of modification in pricing, quantity, change in payment/repayment schedule, delivery schedule or any other change to the agreed terms.

(b) a Material Related Party Transaction approved by the shareholders would require prior approval of Audit Committee and shareholders for an increase of 25% and above of the original value approved by shareholders.

2.10 “Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association.

2.11 “Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder, Listing Agreement, Indian Accounting Standards and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

2.12 “Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, Listing Agreement, Indian Accounting Standards and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

2.13 “Related Party Transactions” shall mean such transactions as specific under Section 188 of the Act or rules made thereunder, Indian Accounting Standards and Regulation 2 (zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 including any amendment or modification thereof, as may be applicable.

2.14 A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

2.15 Any other term not defined herein and referred in this Policy shall have the same meaning as defined in the Act, Listing Agreement, Indian Accounting Standards and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 any other applicable law or regulation.

3. Related party transactions under the Policy

3.1 Any transfer of resources, services or obligations between the Company and a related party, would get covered as a 'Related Party Transaction', whether or not, there is an element of consideration or price and as may be amended from time to time by the Act the Listing Agreement and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

3.2 Approval Process

The Company will enter into any Related Party Transaction only with the prior approval of the Audit Committee.

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

- a. Transactions of the Company with Related Party which are repetitive in nature;
- b. The omnibus approval for the transactions if it is in the interest of the Company;
- c. Omnibus approval shall specify the following:
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Term of transaction;
 - Amount of transaction that can be entered into;
 - 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.

Further, in the event of exigency to enter into a transaction and it is impractical to wait until a Meeting of the Audit Committee to consummate a Related Party Transaction, the Audit Committee, under this Policy, approve such transaction by Circular Resolution.

- d. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- e. 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 Rupees One Crore per transaction;
- f. The Audit committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant each of the omnibus approval given and inform the Board;

- g. The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - ii. the transaction is not material in terms of the provisions of sub-regulation (1) of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015;
 - iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015;
 - v. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transaction to the Board for the approval.

3.3 Approval of Shareholders

- Transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable;
- Transactions not in the ordinary course of business;
- Transactions in the ordinary course of business if not done at an arm's length;
- Material Related Party Transactions as defined under Regulation 23(1) of LODR Regulations, irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm's length or both.

3.4 For the purpose of determining material related party transactions during a financial year, the threshold limit shall be

- Transaction(s) (other than payment for brand usage or royalty) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower and

- Transaction(s) 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.

Provided that the aforesaid threshold limits shall stand modified automatically to align with any changes to SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 or other applicable laws for the time being in force.

The aggregate of the transactions with a related party exceeding the aforesaid limits shall be treated as material requiring such approvals prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 or other applicable laws.

4. Transactions at arm's length

The Company shall adopt generally accepted practices and principles in determining whether the transaction is at "arm's length".

5. Disclosure by Directors/ KMPs

A. Disclosure of interests

- All Directors / KMPs are required to disclose the entities in which they or their relatives are deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Company Secretary of any material transaction or relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register in the prescribed form.
- The Company shall disclose the Policy on dealing with (Related Party Transactions) on its website and a web link thereto shall be provided in the Annual Report.

B. Disclosure of Related Party Transaction entered with the Company

Each Director and KMPs of the Company is responsible for providing declaration / notice in the prescribed Form to the Company Secretary about Related Party Transaction involving the Company and him or her or an entity wherein he / she or his / her relative is interested, including any additional information about the transaction that the Company Secretary may reasonably request.

Details of all Material Transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance as required under Listing Agreement.



6. Guiding Principles for approval of a Related Party Transaction by the Board / Audit Committee thereof

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 the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required. In determining whether approval needs to be accorded to a Related Party Transaction, the Board / Audit Committee will consider the following factors:-

- a. Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b. 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;

In case the Board / Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, 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 for ratification. In connection with any review of a Related Party Transaction, the Board / Audit Committee has authority to modify or waive any procedural requirements of this Policy.

7. Consequences of non-compliance of the Policy for any Related Party Transaction

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the employee by the Company under the Service Rules or Employee Standing Orders. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

8. Policy Approval / Review

The Policy as amended has been duly approved by the Board of Directors. It shall be subject to review from time to time to comply with any regulatory amendments or statutory modifications thereof, subject however to the approval of the Board of Directors.

***Policy last amended at the Board Meeting held on 6th February 2025.**