

COCHIN MINERALS AND RUTILE LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1) PREFACE

Cochin Minerals and Rutile Limited (the company/CMRL) believes in and is committed to the highest standards of transparency, probity, integrity, accountability and ethical behavior in the conduct of its business.

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. Section 188 of the Companies Act, 2013 (“Act”) read with the Rules framed there under and Clause 49(VIII) (C) of the Listing Agreement requires a company to formulate a policy on identification of related parties, materiality of related party transactions and dealing with related party transactions.

In light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

2) DEFINITIONS

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Ordinary Course of Business “ means a transaction which is :

- Carried out in the normal course of business envisaged in accordance with the Memorandum of Association { ‘MOA’ } of the Company as amended from time to time, or
- Historical practice with a pattern of frequency, or
- Common commercial practice, or
- Meets any other parameters / criteria as decided by the Board / Audit Committee.

“Material Related Party Transactions”, will have the same meaning as defined in Clause 49.

“Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.

“Related Party”, will have the same meaning as defined under Section 2(76) of the Act and / or the Clause 49.

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate, Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term “Related Party”

“**Related Party Transactions**” mean all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged under Section 188(1) of the Act and / or Clause 49.

“**Key Managerial Personnel**” means

- a. The Chief Executive officer or the Managing Director or the Manager
- b. The whole-Time Director/s
- c. The Company Secretary
- d. The Chief Financial Officer; and
- e. Any other person appointed as the KMP by the Board of Directors of the company;

“Transaction” Shall be construed to include single transaction or a group of transactions in a contract;

3) MATERIALITY THRESHOLDS

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders approval will be required by way of a special resolution. CMRL has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company.

4) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

A. Identification of related parties and Related Party Transactions

The company secretary has to identify and maintain a list of related parties, with input from other KMPs.

The company shall formulate guidelines for identification of related party transactions in accordance with section 188 of the Act and clause 49 of the Listing Agreement and also for determining whether the transactions are in the ordinary course of business and at arms’ length basis and for this purpose, the company may seek external professional opinion, if necessary.

B. Procedure for approval of Related Party Transactions

(i) Approval of the Audit Committee

- (a) All related party transactions shall be placed before the Audit Committee for prior approval. However, the Audit Committee may grant omnibus approval for such transactions, subject to compliance with the following conditions:
 - o The transactions are repetitive in nature.

- The committee satisfies itself of the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide details such as the name/s of the related party/ies, nature of transaction, period of transaction, maximum amount of transaction, the indicative price limits and such other conditions as the Audit committee may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available up front, the Committee may grant omnibus approval provided the value does not exceed Rs.50 lakhs per annum per party.

- 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;
- The duration of such omnibus approval is to be fixed at the time of approval.

(b) While assessing a proposal put up before the Audit Committee/ Board for approval the Committee/ Board may consider the following documents and/or seek inter alia 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 service to be rendered / availed.
- Key terms such as price and other compensations contemplated, value, quantum etc;
- Key covenants such as termination charges, penalties etc.
- Special terms and conditions, if any, covered / contemplated by separate letters or undertakings, addendum etc.
- Benchmarking/comparing above information/data with industry/market rates, terms and practices that may have a bearing on the arm's length basis analysis.
- Where any member of the committee is interested in a transaction considered by it, such member shall not be present during the consideration/discussion of the matter by the committee.

(ii) Approval of the board of Directors

In compliance of the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of Business or not at arm's length basis, are to be placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also to 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 determined by the Board from time to time (i.e. value threshold and/or other parameters) 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 Audit Committee's view required Board approval.
- Transactions meeting the materiality thresholds laid down Clause 5 of the Policy.,
- Where any member of the board is interested in a transaction considered by it, such member shall not be present during the consideration/discussion of the matter by the board.

(iii) Approval of the Shareholders

All the transactions with related parties meeting the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of relates parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Clause 49(VII) (E) provides that the requirement for seeking shareholder's approval shall not be applicable to transactions between the Company its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are to be placed before the shareholders for its approval.

5) DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(2) of the Act with related parties, which are not in ordinary course of business or at arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchanges.

6) RELATED PARTY TRNASACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy, the matter shall be reviewed by the Audit Committee. The Committee after shall considering all the relevant facts and circumstances regarding the transaction may, ratify, revise, terminate or refer to be board. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee and failure or inadequacy of the internal control systems, and recommend remedial measures as it deems appropriate. In cases where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, it 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 suffered by the company etc.