



## POLICY ON RELATED PARTY TRANSACTIONS

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### OBJECTIVE:

J.G. Chemicals Limited in consonance to Regulation 23 of Listing (Obligations and Disclosures Requirements) Regulations, 2015 (“SEBI LODR Regulations”) and related provisions of the Companies Act, 2013 recognizes the potential conflict of interest between the Company and its stakeholders in case the Company enters into contracts/arrangements with its related party and considering such transactions are at the best interest of both the parties in the given situation.

### POLICY OF THE COMPANY:

1. The term of related party transactions and materiality of the same shall be deemed to be as defined under Regulation 23 and the provisions of the Companies Act, 2013 and so far applicable to the Company and its alike transactions as on date and any amendment thereto from time to time of the respective laws.
2. Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of relatives which are regarded as Related Party as per this Policy.
3. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.
4. Each Director and Key Managerial Personnel is responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Audit Committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this Policy.
5. Any change in the list of relatives shall be intimated by the Directors and KMPs by way of a fresh declaration to the Company.
6. All the transaction with the related parties would be entered with the prior approval of the Audit Committee unless such transactions entered into under omnibus approval of the Audit committee due to repetitive transactions of the same nature and with the same related party as may be permitted.
7. All the related party contracts / arrangements shall be entered into at an Arms’ length basis.



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8. In case of market price of any transactions/arrangements are not available or cannot be ascertained and could not be executed with outsiders due to secrecy of the nature of products or formula, such transactions shall be done as far as possible to the nearing market price and after citing justification to the Audit committee for such transaction and necessity.
9. All contracts/arrangements shall adhere to the requirement of the SEBI LODR Regulations, provisions of the Companies Act, 2013 and rules made thereunder and the Accounting Standards.
10. A maximum sum of Rs. 1.00 crore (Rupees One Crore) during the financial year has been capped under omnibus approval by the Audit Committee for each of the transactions of repetitive nature and with the same related party. All such transactions shall be reviewed by the committee on quarterly basis. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
11. If any contract or arrangement is entered by a Director or any employee without the consent of the Board or without Special Resolution in General Meeting due to some urgency, it shall be **ratified** by the Board or General Meeting by means of Special Resolution within **6 (Six) months**, as the case may be.
12. In case of the contracts / arrangements with related party is not in the ordinary course of business or at Arm's Length, the Company would comply with the respective provisions of the Companies Act, 2013 and rules made thereunder.
13. All the material related party transactions above the threshold limits, other than exempted wholly owned subsidiary shall be taken approval from the respective authority as may be required by the respective law prevailed from time to time. For the purpose of determining Materiality the Policy of the Company made in this connection shall be referred into.

### DISCLOSURES AND REPORTING OF RELATED PARTY TRANSACTIONS:

1. Details of all the Related Party Transactions entered during the quarter shall be disclosed in the Audit Committee and Board meeting.
2. Every contract or arrangement, which is required to be approved by the Board/Shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.



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3. The details of material transactions with related parties will be included in the Corporate Governance Reports which are as and when required to be submitted to the Stock Exchanges shall be submitted on a quarterly basis.
4. The Company shall submit within 30 days from the date of publication of its Standalone and Consolidated Financial Results for the Quarter, Half Year & Annual basis, disclosures of all Related Party transactions on a consolidated basis, in the format specified in the relevant Accounting Standards for Annual Results to the stock exchanges and publish the same on its website and a web link thereto shall also be provided in the Reports of the Company, as an when applicable.
5. The Company shall disclose to the Stock Exchange along with the compliance report on Corporate Governance on a quarterly basis details of all transactions with Related Parties exceeding the materiality threshold.
6. The Company shall disclose the policy on dealing with Related Party Transactions on its website as an when applicable.
7. The Company shall keep the necessary registers as specified under applicable laws giving the particulars of all contracts or arrangements with any related party.

### RELATED PARTY NOTE ON ARM'S LENGTH PRICE DETERMINATIONS:

The Company required to do the following Related Party Transaction with its Subsidiary, Associates, Company within the same Group beside payment of Remuneration to the KMP in the ordinary course of Business are as under:-

SI No	Nature of Transaction	Related Party/KMP
A.	<b>PAYMENTS</b>	
1.	Managerial Remuneration	(a) Sri Suresh Jhunjunwala- Executive Chairman & Whole Time Director (b) Sri Anirudh Jhunjunwala – CEO & Managing Director (c) Sri Anuj Jhunjunwala – Whole Time Director & CFO. (d) Smt Swati Poddar – Company Secretary & Compliance Officer
2	Director's Sitting Fees	(a) Sri Ashok Bhandari – Independent Director (b) Sri Sukanta Nag – Independent Director (c) Smt Savita Agarwal – Independent Director



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3	Rent for Various Office Space used by the Company for managing affairs of the Company	(a) Vision Projects & Finvest Private Limited (earlier BDJ Chemical Private Limited now stands amalgamated) for Registered Office of the Company. (b) Alka Jhunjhunwala – For additional Office space required by the Company. (c) BDJ Impex Private Limited – For Consolidation & Shifting of Registered & other Office Space.
4	Equipment Hire Charges	BDJ Impex Private Limited
5	Loan Transactions	BDJ Oxides Private Limited – Subsidiary of the Company holding 94.13% of the total paid up Capital of the Subsidiary Company.
6	Purchase of Finished/Semi Finished Goods	Do
7	Any other	
<b>B</b>	<b>RECEIPTS</b>	
1	Sale of Finished/Semi Finished Goods	BDJ Oxides Private Limited – Subsidiary of the Company holding 94.13% of the total paid up Capital of the Subsidiary Company.
2	Management Consultancy Charges	Do
3	Loan Transactions	Do
4	Interest Income	Do
5	Rent Receipts	BDJ Impex Private Limited – For Sharing
6	Corporate Guarantee Fees	BDJ Oxides Private Limited – @ 1% of the value of Corporate Guarantee provided to the Bankers by the Company
6	Any Other	

**DETERMINATION OF ARM'S LENGTH PRICING:**

Section 92C(1) of the Income Tax Act, 1961 has provided guide line for determining Arm's Length Price. According to the of the said Section *Arm's length price shall be determined by any of the following methods, being the most appropriate method, having regard to the nature of transaction or class of transaction or class of associated persons or functions performed by such persons or such other relevant factors as the Board may prescribe, namely :—*



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- (a) comparable uncontrolled price method;*
- (b) resale price method;*
- (c) cost plus method;*
- (d) profit split method;*
- (e) transactional net margin method;*
- (f) such other method as may be prescribed by the Board as per Rule 10AB i.e. For the purposes of clause (f) of sub-section (1) of section 92C, the other method for determination of the arm's length price in relation to an international transaction [or a specified domestic transaction] shall be any method which takes into account the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.*

**Section 92C(2) further clarifies that the most appropriate method referred to in sub-section (1) shall be applied, for determination of arm's length price, in the manner as may be prescribed i.e.**

- (a) The Specific characteristics of the property transferred or service provided in either transaction;*
- (b) The functioned performed, taking into account assets employed or to be employed and the risks assumed, by the respective parties to the transactions;*
- (c) The contractual terms (whether or not such terms are formal or in writing) of the transactions which laydown explicitly or implicitly how the responsibilities, risks and benefits are to be divided between the respective parties to the transactions;*
- (d) conditions prevailing in the markets in which the respective parties to the transactions operate, including the geographical location and size of the markets, the laws and Government orders in force, costs of labour and capital in the markets, overall economic development and level of competition and whether the markets are wholesale or retail.*

### **A. Company's Policy in respect of determining Payment in respect of:**

- 1. Managerial Remuneration:** Discussion & recommendation of NRC Committee & Board and approval of the Share Holder in the EGM/AGM of the Company.
- 2. Director's Sitting Fees:** Mutual understanding of the Directors & as approved by the Board.



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3. **Rent for Various Office Space used by the Company for managing affairs of the Company:** Comparable uncontrolled price methods & the terms and conditions mutually agreed upon between the parties as per the prevailing practices followed in general.
4. **Equipment Hire Charges :** Same as item No 3 here in above
5. **Loan Transactions:** Recommendation of the Board & Approval of the Share Holder as Special Resolution. Regular transaction shall take place as & when required and availability of the resources. Lending shall be restricted to the overall limit as approved in the EGM/AGM of the Company.
6. **Purchase of Finished/Semi Finished Goods:** Main business of the Company is to produce & sell Zinc Oxide & Allied Products produced at its factory situated at West Bengal, India. Raw Materials used in producing the finished product are Zinc Dross, Zinc Ingot, Zinc Metal & Alloys. Yield of finished goods vary upon uses of type of Raw Material used and the price of each of the above Raw Material also vary based on the amount of Zinc content in it. Major portion of the Raw Material are being sourced from International Market by way of Imports and renowned domestic suppliers Hindustan Zinc Ltd & very negligible quantity from others domestic suppliers.

Charging selling price of the Finished Goods in “Comparable uncontrolled price method” could be most appropriate but not feasible to use the resale or cost-plus method due to challenges in allocating the cost for each material & charges incurred for different grade of material produced. The Comparable Uncontrolled Price "CUP" method compares the price charged for goods or services transferred in a controlled transaction with the price charged for goods or services in an uncontrolled transaction between comparable independent parties. As proposed earlier valuation for Sale the said Material (Finished/Semi Finished Goods of that particular Grade) at the average Per Ton FOB value at which the material was sold to other Parties in the previous month, irrespective of price movement upward or down ward during the month is not feasible for mixed sales to other parties i.e. on FOB & FOR basis.

Under the circumstances it will be most appropriate to determine arm’s length selling price of a month based on the basis of average price of Zinc Metal as published in the Public domain

by Hindustan Zinc Ltd (HZL) which are being considered as industry bench mark in local market & HZL is the market leader in domestic market. . Hence it will be most appropriate to determine the arm’s length selling price based on the percentage of average Zinc Metal price of HZL in the immediate previous month. Based on the past experience & the equation derived



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for the purposes reflecting result of selling prices are varying in between 75% to 77 % of the average of previous months of HZL price of Zinc Metal. Based on the above

- (i) Arm's Length Selling price of Zinc Oxide will be determined at 76% ( Mean of 75% to 77 %) of the average HZL price of Zinc Metal of previous month.
- (ii) Arm's Length Selling price of Zinc Ash will be determined at 28.50% ( Mean of 28% to 29 %) of the average HZL price of Zinc Metal of previous month.
- (iii) Arm's Length Selling price of Zinc Oxide (IG) will be determined at 39.5% (Mean of 39% to 40 %) of the average HZL price of Zinc Metal of previous month.
- (iv) Arm's Length Selling price of Zinc Oxide (LG) will be determined at 38.5% (Mean of 48% to 49 %) of the average HZL price of Zinc Metal of previous month.

**The Pricing method adopted should be followed continuously irrespective of day to day changes which takes place in the Metal Market.**

7. **Any Other:** On such terms & condition as per prevailing market practice, Materiality & on the mutually agreed terms & conditions.

***B. Company's Policy in respect of determining Receipt in respect of:***

1. **Sale of Finished/Semi Finished Goods:** Same method shall be followed as stated here in above in Point No A (6).
2. **Management Consultancy Charges:** Affairs of both the Company are being managed by the same Senior Management Team. All remuneration & perks are being paid by the Holding Company As approved by the Board in its Meeting held on 25<sup>th</sup> May 2022. and further approved by the Share Holders of the Company through a Special resolution passed in the EGM held on 31<sup>st</sup> May 2022. Total cost of the Senior Management Team (Key Managerial Remuneration) with effect from 16.05.2022 are equally shared by the Holding & Subsidiary Company on monthly basis through issue of Tax Invoice with effect from 16<sup>th</sup> May 2022.

Valuation methodology under arm's length price was discussed once again & different views were came up & alter detailed discussion it was agreed upon to distribute the cost Common Employees', Directors & KMP looking after the work of both the Company in a suitable manner. Management after analysis found that Company cost shall be distributed on the basis of Zinc Oxide Only. A List of Common Employees, whose cost are paid by the Company shall be prepared & updated from time to time.

3. **Loan Transactions:** Same method shall be followed as stated here in above in Point No A(5).



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- 4. Interest Income:** On Cost Plus method, where in weighted average borrowing cost of the Company shall be calculated for each quarter plus a spread of 0.50% will be levied there on & total amount will be collected from the Borrower Company.
- 5. Rent Receipts:** Same method shall be followed as stated here in above in Point No A(3).
- 6. Corporate Guarantee:** As per Statutory Provision of the GST & other applicable Act.
- 7. Any Other :** Same method shall be followed as stated here in above in Point No A(7)

### **AMENDMENT AND REVIEW**

This policy is meant to provide a framework to regulate transactions between the Company and its related parties based on applicable laws and regulations. The Audit Committee and the Board of Directors will review this policy periodically and may amend or modify the Policy accordingly, from time to time. The policy shall become effective from the date of release of the policy.

**For & on behalf of the Board  
J G Chemicals Limited**

**Chairman**

**Place: Kolkata**

**Dated: 20.11.2023**