

## RELATED PARTY TRANSACTIONS POLICY

(Effective October 01, 2014)

As envisaged under Clause 49 VIIC of the Listing Agreement, the Company formulates the following Policy on –

- (a) Dealing with related party transactions; and
- (b) Materiality of related party transactions.

No Related Party Transaction may be entered into by the Company except in accordance with the provisions of this Policy.

### DEFINITIONS:

An entity shall be considered as “**Related Party**” to the Company if:

- (i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

“Related Party”, under Section 2(76) of Companies Act, 2013 with reference to this Company, means—

- (i) a director of this Company or his relative;
- (ii) a key managerial personnel of this Company or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director of this Company or manager is a director and holds along with his relatives, more than two per cent of that company’s paid-up share capital;
- (vi) any body-corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director of this Company or manager;
- (vii) any person on whose advice, directions or instructions a director of this Company or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given by one or more of these persons in a professional capacity;

- (viii) any company which is—
  - (a) a holding, subsidiary or an associate company of this Company; or
  - (b) a subsidiary of a holding company to which this Company is also a subsidiary.

Further, as per the Companies (Specification of Definition details) Rules, 2014, a Director or Key Managerial Personnel of the holding company or his relative shall also be deemed to be a related party.

**“Related party transaction”** under Clause 49 of Listing Agreement means transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

*Explanation:* A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

**“Secretary”** means Company Secretary of Kesoram Industries Limited, who also acts as Secretary of the Audit Committee.

**“Relative”** as per Section 2(77) of Companies Act, 2013 means, with reference to any person,  
means anyone who is related to another, if

- They are members of a Hindu Undivided Family
- They are husband and wife

Further as per Rule 4 of Companies (Specification of Definition Details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (1) Father; including step-father
- (2) Mother; including step-mother
- (3) Son; including step-son
- (4) Son's wife
- (5) Daughter
- (6) Daughter's husband
- (7) Brother, including step-brother;
- (8) Sister, including step-sister.

**“Committee”** shall mean the Audit Committee of the Company constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 read with Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchange.

**“Specified Related Party Transactions”** means:

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) related party's appointment to any office or place of profit (OPP) in the Co., its Subsidiary Co. or Associate Co.; and

g) underwriting the subscription of any securities or derivatives thereof, of the company

**“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.

**“Office or place of profit”** means any office or place

i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

**“Manager”** as per Section 2(53) of the Companies Act, 2013 read with Section 196 of the said Act means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a Company, and includes a Director or any other person occupying the position of a manager, by whatever names called, whether under a contract of service or not.

#### **RELATED PARTY TRANSACTIONS POLICY:**

The Policy is intended to:

1. List out the related parties as on 1<sup>st</sup> October, 2014 and update this from time to time.
2. Study the materiality of Related Party Transactions and also regarding dealing with Related Party Transactions.
3. To seek approvals of the Audit Committee/Board/Shareholders, where necessary.
4. To make the necessary disclosures in the public domain as required under Clause 49VIII.A.

#### **IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:**

Each Director and Key Managerial Personnel would be responsible for making the required disclosures to enable this Company identify entities that would be related parties as against this Company.

#### **MATERIAL RELATED PARTY TRANSACTION:**

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the Company’s Annual Consolidated Turnover as per the last audited financial statements of the company.

## REVIEW AND APPROVAL PROCESS:

### *Approval of the Audit Committee:*

All Related Party Transactions must be reported to the Company Secretary /Secretary of the Audit Committee.

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a. transactions are repetitive in nature,
- b. there is a need for such omnibus approval and
- c. that such approval is in the interest of the company;
- d. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;  
Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

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.

### *Approval of the Board:*

Prior consent of the Board by way of a Resolution is required for the following Related Party Transactions as per Section 188(1) read with Section 2(76) of the Companies Act, 2013:

- (a) sale, purchase or supply of any goods / materials less than 10% of turnover or Rs 100 Cr, whichever is lower
- (b) selling or otherwise disposing of / buying, property of any kind which is less than 10% of Net Worth or Rs 100 Cr, whichever is lower
- (c) leasing of property of any kind which is less than 10% of Net Worth or 10% of Turnover or Rs 100 Cr, whichever is lower
- (d) availing / rendering of any services less than 10% of Turnover or Rs 50 Cr, whichever is lower

- (e) appointment of any agent for purchase / sale of goods, materials, services or property (limits in accordance with (a), (b) and (d) above, as the case may be) .
- (f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and related party transactions which is less than Rs 2.50 Lakh per month
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company which is less than 1% of Net Worth

No director who is interested in any such contract or arrangement shall be present at the meeting during discussions on the subject matter of the Resolution proposed for Board Approval.

***Approval by the shareholders:***

The Company shall not enter into a transaction or transactions without prior approval of the Shareholders by Special Resolutions, if:

- (i) Sale, purchase or supply which is more than 10% of turnover or Rs 100 Cr, whichever is lower
- (ii) Selling or buying property which is more than 10% of Net Worth or Rs 100 Cr, whichever is lower
- (iii) Leasing of property which is more than 10% of Net Worth or 10% of Turnover or Rs 100 Cr, whichever is lower
- (iv) Availing or rendering service through agent which is more than 10% of Turnover or Rs 50 Cr, whichever is lower
- (v) Appointment to office of profit at monthly remuneration of more than Rs 2.50 Lakh
- (vi) Remuneration for Underwriting of subscription of securities which is more than 1% of the Net Worth

The related parties will have to abstain from voting on such resolutions. No member who is a related party shall vote on special resolutions stated above.

***Exceptions:***

Any Specified Related Party Transactions which are in the ordinary course of business of a company **and** on arm's length basis do not require any Board Approval or Shareholder's Approval. Specified Related Party Transactions which are (1) in the ordinary course of business of a company but are not on arm's length basis; or (2) not in the ordinary course of business of a company (irrespective of whether on arm's length basis or not) shall require prior Board as well as Shareholder's Approval.

**FACTORS TO BE CONSIDERED WHILE DEALING WITH RELATED PARTY TRANSACTIONS:**

In determining whether to approve or ratify a Related Party Transaction, the Committee, the Board or Shareholders will consider the following factors, among others, to the extent relevant to the Related Party Transactions:

1. Whether the transaction with the Related Person is proposed to be entered into (or was entered into) on terms no less favourable to the Company than terms that could have been reached with an unrelated third party;
2. The purpose of, and the potential benefits to the Company of, the transaction.
3. Whether the Related Party Transaction would impair the independence of an otherwise independent director;
4. Whether the Related Party Transactions would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the direct or indirect nature of the director's or Key Managerial Personnel's or their relatives' interest in the transaction and the ongoing nature of any proposed relationship and any other factor(s) the Committee deems relevant.

In any case where the Committee determines not to approve a Related Party Transaction, which comes for its approval, the Committee may direct modification of the transaction in a way to make it acceptable for approval. Further, the Committee will have authority to modify or waive any procedural requirements of this Policy.

#### **DISCLOSURES:**

If a Company enters into any Specified Related Party Transactions which are not covered by exceptions then such contracts or arrangements shall be referred to in the Board's report to the shareholders along with a justification for entering into such contract or arrangement

The Agenda of the Board Meeting at which such Resolution is proposed shall contain relevant Disclosures as required under the Companies Act and Listing Agreement. Further, the Statement to be annexed to the Notice of a general meeting convened pursuant to Section 101 of the Companies Act, 2013 shall contain the relevant particulars as may be required.

Details of all material transaction(s) with Related Parties will be disclosed quarterly to the Stock Exchanges where Company's Shares are listed along with the quarterly Compliance Report on Corporate Governance. The Company shall disclose the Related Party Transaction Policy on dealing with Related Party Transactions on its Website and a web link thereto shall be provided in the Annual Report as per the requirement of Clause 49(VIII)(A)(2) of the Listing Agreement.

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