



**KEI INDUSTRIES LIMITED**

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## **RELATED PARTY TRANSACTIONS POLICY: KEI INDUSTRIES LIMITED**

### **1. Introduction**

KEI Industries Limited has formulated this Related Party Transaction policy (this "Policy") in line with Regulation 23 of the Securities and Exchange Board of India ( Listing Obligation and Disclosure Requirements), 2015 as amended by Securities and Exchange of India ( Listing Obligation and Disclosure Requirements) ( Amendment) Regulations, 2018 ( "**LODR Regulations**").

### **2. Objective:**

- A) The primary objective of this Policy is to ensure highest standard of Corporate Governance, transparency, probity and ethical standards in all dealings of the Company with Related Parties.
- B) The Audit Committee of the Company has approved this Policy to set forth the procedures under which transactions between the Company and Related Parties shall be identified and reviewed for approval or ratification in accordance with the procedures set forth below and as prescribed under LODR Regulations and the Companies Act 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment thereof) (the "Act").

### **3. Definitions:**

- i) '**Act**' means the Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force).
- ii) '**Audit Committee**' means Committee of Board of Directors of the Company constituted in accordance with the requirements prescribed under the Act and LODR Regulations.
- iii) '**Associate company**' in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

**Explanation:** For the purposes of this definition, the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement; and the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

- iv) '**Control**' shall include the right to appoint majority of the directors or to control the Management or policy decisions, exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or Management rights or shareholders agreements or voting agreements or in any other manner.
- v) '**Key Managerial Personnel**', in relation to company, means –
  - (i) the Chief Executive Officer or the managing director or the manager;
  - (ii) the company secretary;
  - (iii) the whole-time director;
  - (iv) the Chief Financial Officer;
  - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and

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(vi) such other officer as may be prescribed

vi) **'Net Worth'** means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

vii) **'Office or Place of Profit'** means any office or place:

(a) 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;

(b) 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."

viii) **'Ordinary Course of Business'**

With reference to a transaction with a related party means a transaction which is:

(i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;

(ii) historical practice with a pattern of frequency;

(iii) common commercial practice; or

(iv) meets any other parameters/criteria as decided by the Board/Audit Committee, from time to time

ix) **'Policy'** means this Related Party Transactions Policy, as amended from time to time.

x) **'Related Party Transaction' ('RPT')** means transfer of resources, services or obligations between a Company and a related party, regardless of whether or not a price is charged, and includes the following transactions, either single or a group of transactions in a contract :

a. sale, purchases 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 purchases or sale of goods, materials, services or property;

f. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;

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

xi) **'Related Party'**

an entity shall be considered related to the Company if:

(i) such entity is a related party under Section 2(76) of the Act ; or

(ii) such entity is a related party under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding of the Company shall be deemed to be a related party.

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xii) **'Relative'** 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; or
- One person is related to the other in such manner as may be prescribed

Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 have prescribed the following persons who shall be deemed to be the relative of another, if he or she is related to another in the following manner;

- Father: term "Father" includes step-father;
- Mother: term "Mother" includes the step-mother;
- Son: term "Son" includes the step-son;
- Son's wife;
- Daughter;
- Daughter's husband;
- Brother: term "Brother" includes the step-brother;
- Sister: term "Sister" includes the step-sister.

xiii) **'Transaction'** shall be construed to include single transaction or a group of transactions in a contract;

xiv) **'Turnover'** means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.

xv) **'The Arm's Length Pricing' ('ALP')** a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest known as an "arm's-length transaction".

### **4. Material Related Party Transaction**

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

[(1A) Notwithstanding the above, [with effect from July 01, 2019] 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 listed entity as per the last audited financial statements of the listed entity.]

### **5. Manner of dealing with Related Party Transactions**

#### **i) Identification of Related Party Transactions:**

Each Director and Key Managerial Personnel is required to give notice of disclosure of interest under section 184 and 189 of the Companies Act 2013 alongwith list of relatives to the company. The Company shall ensure that no transaction is entered into with any entity/ individual disclosed by the Director/ KMP without requisite approvals.

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The Board/ Audit Committee will determine whether the transaction requires compliance with this policy or not.

### **ii) Procedure for Approval of Related Party Transactions:**

#### **❖ Approval of 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:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with Related Party Transactions Policy of the company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- 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.

- 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;
- Such omnibus approval shall be valid for one year and shall require fresh approvals after the expiry of one year.

#### **❖ Approval of Board of Directors:**

As per 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, shall require the approval of Board of directors.

In addition to the above, the following kinds of transactions with related parties shall also 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 as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board's 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 its approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board's approval.
- Transactions meeting the materiality thresholds as laid down above in the Policy, which are intended to be placed before the shareholders for their approval.

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### **❖ Approval of Shareholders:**

All the material related party transactions as prescribed under Regulation 23 of LODR Regulations shall be approved by the Shareholders through an ordinary resolution.

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

However, for the purpose of Regulation 23 of LODR Regulations, transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, does not require shareholder approval.

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, as may be amended from time to time, shall be placed before the shareholders for their approval.

### **iii) Ratification by the Board and/or Shareholders of the Company**

Where any contract or arrangement is entered into by a director or any other employee without obtaining the consent of the Board or shareholders pursuant to Section 188(1) of the Act and if is not ratified by the Board and/or shareholders within 3 months from the date of contract or arrangement, such contract or arrangement shall be voidable at the option of the Board. If such contract or arrangement is with related party to director or is authorized by any director, the directors concerned shall indemnify the Company against any loss incurred.

### **iv) Existing Contracts, if any:**

The Policy shall operate prospectively and all the Contracts entered into by company, after making necessary compliances under the Companies Act, 1956, which already came into effect before the commencement of the Companies Act, 2013, i.e. April 1, 2014, will not require fresh approval till the expiry of the original term of such contracts. However, any agreement for material transactions which has been already approved and continued to be operational beyond March, 2015, will require fresh approval of shareholders.

### **v) Effect on Related Party Transaction not approved under this policy:**

In the event the Company becomes aware of a RPT that has not been approved under this policy prior to its consummation, the matter shall be reviewed by the Audit Committee and the Audit Committee shall consider all relevant facts and circumstances regarding the RPT, evaluate all options available to the Company, including ratification, revision or termination of the RPT.

In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without its approval, the Audit Committee, may direct additional actions as appropriate, including but not limited to, immediate discontinuation or rescission of the RPT, or modification of the RPT to make it acceptable for ratification. With respect to review of an RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **6. Interpretation :**

In any circumstance where the terms of this policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence

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over this policy and procedures till such time as this policy will change to conform to the law(s), rule(s), regulation(s) or standard(s).

### **7. Disclosures:**

- The details of RPTs, which are not in the Ordinary Course of Business and/ or not at Arm's Length, shall be disclosed in the Boards' Report along with a justification for entering into such transactions.
- Details of all material related party transactions shall be disclosed quarterly alongwith the compliance report on Corporate Governance.
- The Related Party Transactions Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report too.

### **8. Miscellaneous:**

The right to interpret/ amend/ modify this Policy vests in the Board of Directors of the Company as may be recommended by the Audit Committee. This Policy will be communicated to all the Directors, KMPs, operational employees and other concerned persons of the Company.

### **9. Amendment**

In case there are any modification(s) / amendment(s) / notification(s) / circulars(s), guidance note(s), informal guidance(s) issued by SEBI / MCA or judgements made by the Tribunal or any Court which has the effect of amendment in the Regulation(s) / Section(s) / Rule(s) made thereunder. The Chief Financial Officer and/or Company Secretary and/or Managing Director is/are authorized to make amendments in the Policy / Code as to the extent applicable. The amended Policy / Code shall be taken note by the Board of Directors/Committee members in their ensuing Board Meeting/Committee Meeting.

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