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## **POLICY ON RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS**

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## **Preamble**

The Company is committed to practice maximum transparency in the conduct of Related Party Transactions in synchronization with its Corporate Governance philosophy based on the objective of continuing ethical conduct in fulfilling its responsibilities and recognizes that Related Party Transactions can present a risk of actual or apparent conflicts of interest of the Directors and Senior Management personnel with the interest of the Company.

The Board of Directors (the “Board”) of Khaitan (India) Limited (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions as defined below. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of Related Party Transactions.

## **Scope and purpose**

The Companies Act, 2013, the Rules framed thereunder (the ‘Act’) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), as amended from time to time contain detailed provisions on Related Party Transactions.

This Policy has been framed as per the requirements of the Regulation 23 of the Listing Regulations and is intended to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties in the best interest of the Company and the stakeholders and in compliance with the applicable laws and regulations.

The Policy has been designed to ensure the transparency of approval process and disclosures requirements for fairness in the conduct of RPT in accordance with the applicable laws. This policy shall supplement the Company’s practices applicable to or involving the transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee, shall review, approve and where permitted ratify the Related Party Transactions based on this Policy in terms of the requirements under the above regulatory provisions as applicable.

## **Applicability**

This revised Policy shall be applicable with immediate effect from such date as may be specified by the Board of Directors and shall applicable to transactions made with:-

1. Board of Directors & their Relatives
2. Key Managerial Personnel (KMP) of the Company and their Relatives, and
3. Other Related Parties, as defined hereinafter.



## Definitions

**"Act"** means the Companies Act 2013 and the rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

**"Audit Committee"** means Committee of Board of Directors of the Company constituted / re-constituted under the Act and the Listing Regulations.

**"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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

**"Associate Company"** means any other company, in which the 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 purpose of this clause,-*

*"significant influence" means Control of at least Twenty percent of total voting power, or control of or participation in business decisions under an agreement.*

*"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.*

**"Board"** shall mean Board of Directors of the Company.

**"Control"** means control as defined under section 2 (27) of the Companies Act, 2013 which includes 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.

**"KMP"** shall mean:

1. the Chief Executive Officer or the Managing Director or the Manager;
2. the Whole - time Director;
3. the Chief Financial Officer;
4. the Company Secretary;
5. 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
6. Such other officer as may be prescribed under the Act.



**"Material Related Party Transaction"** means a transaction with related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 Company as per the last audited financial statements of the Company.

**"Policy"** means Policy on Related Party Transactions and Dealing with Related Party Transactions.

**"Related Party"** means related party as defined under section 2(zb) of the Listing Regulation.

**"Related Party Transaction (RPT)"** means transactions as defined under Regulation 2(zc) of the Listing Regulations, and

In pursuant to Section 188 of the Companies Act, 2013, RPT means, any contract or arrangement with a Related Party, with respect to—

1. sale, purchase or supply of any goods or materials;
2. selling or otherwise disposing of, or buying, property of any kind;
3. leasing of property of any kind;
4. availing or rendering of any services;
5. appointment of any agent for purchase or sale of goods, materials, services or property;
6. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
7. Underwriting the subscription of any securities or derivatives thereof, of the company.

**"Relative"** means relative as defined under section 2(zd) of the Listing Regulations and section 2(77) under the Act.

**"Subsequent Material Modification"** means any change in the material terms of the approved Related Party Transaction(s).



## The Policy

1. The Related Party Transactions should be in conformity with the prevailing rules and regulations prescribed by law.
2. All Related Party Transactions and Subsequent Material Modifications shall be placed before the Audit Committee for prior approval of the Audit Committee, as required under the provisions of the Act and the Listing Regulations.

Provided that only the Independent Directors, who are members of Audit Committee, shall approve the Related Party Transactions.

Provided further that:

- a. The Audit Committee shall, as a part of the policy on materiality of related party transactions and on dealing with related party transactions, define “material modifications”.
- b. A Related Party Transaction entered into by the subsidiary of the Company shall be placed before the Audit Committee of the Company for prior approval, if the value of such transactions whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual **consolidated** turnover, as per the last audited financial statements of the **Company**.

However, w.e.f. April 01, 2023, a Related Party Transaction entered into by the subsidiary of the Company shall be placed before the Audit Committee of the Company for prior approval, if the value of such transactions whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual **standalone** turnover, as per the last audited financial statements of the **subsidiary**.

3. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:
  - Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - Maximum value per transaction which can be allowed;
  - Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - Review, at such intervals as the Audit Committee may deem fit, Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made;



4. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
5. The omnibus approval shall contain or indicate the following: -
  - Name of the related parties;
  - Nature and duration of the transaction;
  - Maximum amount of transaction that can be entered into;
  - The indicative base price or current contracted price and the formula for variation in the price, if any; and
  - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where the need for RPT cannot be foreseen and aforesaid requisite details are not available, the Audit Committee may grant omnibus approval for such transactions provided that the value of each such transaction shall not exceed Rupees One Crore.

Omnibus approval shall not be granted in respect of selling and disposing of the undertaking of the Company. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year and Audit Committee shall review RPTs pursuant to Omnibus approval on a quarterly basis.

6. All RPT specified in the Act which are not in the Ordinary Course of Business of the Company or not at Arm's Length Basis and exceed the thresholds laid down in Companies (Meeting of Board and its Power) Rules, 2014 shall be placed before the shareholders for its approval. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
7. Notwithstanding, the RPT which cross the Materiality thresholds as defined herein and the Subsequent Material Modifications as defined by the Audit Committee shall be entered by the Company only with prior approval of shareholders of the Company, as per applicable provisions of the listing Regulations, as may be amended from time to time.
8. All RPTs and Subsequent Material Modifications, except those with any wholly owned subsidiary or between two wholly owned subsidiaries whose accounts are consolidated with that of the Company and are placed before the shareholders at the general meeting for approval, shall require prior approval of the Audit Committee.



9. All material RPT shall require prior approval of the shareholders through Ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

10. Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPT, which are not in accordance with this Policy. In case such ratification is not obtained, such transactions will be voidable at the option of the Board.
11. In case of RPTs existing for more than one year or recurring RPTs, the same shall be reviewed by the Audit Committee on an annual basis.
12. Listing Regulations shall be applicable on all prospective Transaction.

### **Identification of related parties**

All Directors are responsible for informing the Company of their interest as under (including interest of their Relatives) in other companies, firms or concerns at the time of appointment, at the beginning of every financial year and within 30 days of any change in such interest during the year:

1. Names of his/her Relatives;
2. Partnership firms in which he/she or his/her Relative is a partner;
3. Private Companies in which he/she or his/her Relative is a member or a Director;
4. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his/her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he/she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).
7. Any Body Corporate which is -
  - a holding, subsidiary or an associate company;
  - a subsidiary of a holding company to which it is also a subsidiary, or
  - An investing company or the venturer of the company.



Every KMP shall be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his/her Relatives;
2. Partnership firms in which he/she or his / her Relative is a partner;

In addition, all Directors, KMP, officers authorised to enter into contracts / arrangements will be responsible for providing prior notice to the Company Secretary of any potential RPT, including any additional information about the transaction that the Audit Committee / Board may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Besides the above, the Company will also identify other Related Parties as required under the Act and Listing Regulations as may be applicable.

### **Identification of potential related party's transactions**

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential RPT involving him or her or his or her relative, including any additional information about the transaction that the Board / Audit Committee may reasonably require. Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with the Policy.

The Company strongly advocates receipt of such notice of any potential RPT well in advance so that the Audit Committee / Board has adequate time to obtain and review information about the proposed transaction.

### **Factors to be considered by the Board / Audit Committee in approving a related party transaction:**

1. Type, material terms and particulars of the proposed transaction;
2. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
3. Tenure of the proposed transaction (particular tenure shall be specified);
4. Value of the proposed transaction;





5. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
6. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - a. details of the source of funds in connection with the proposed transaction;
  - b. where any financial indebtedness is incurred to make or give loans, inter corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - d. The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
7. Justification as to why the RPT is in the interest of the listed entity;
8. A copy of the valuation or other external party report, if any such report has been relied upon;
9. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
10. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
11. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
12. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction;
13. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or KMP of the Company.
14. Subsequent events (i.e. events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, the benefits to the Company and to the Related Party and any other relevant matters.



15. In case of Related Party Transaction which is not in the ordinary course of business or not at arm's length transaction, whether or not it is a material Related Party Transaction, prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.
16. Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
17. Any other information that may be relevant

### **Information to be provided to shareholders for consideration of RPTs**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the listed entity to the Board / Audit Committee in approving a related party transaction;
- b. Justification for why the proposed transaction is in the interest of the listed entity;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details as considered by the Board / Audit Committee while approving the said transaction; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant

### **What is not a related party transaction? (Transactions that are exempted)**

The transaction entered into by the company is:

In ordinary course of business (this is not a defined term in the Act and will have to be interpreted on a case to case basis) i.e. a business as stated in main object(s) clause of the Memorandum of Association of the Company and should be a business which is usual or customarily carried on by the company at regular intervals;



On arm's length basis i.e. a transaction between two related parties that is conducted as if they were unrelated or in other words at competitive market rates prevailing, so that there is no conflict of interest. The price and other terms in the contract with the Related Party are to be similar as would be applicable to any third party.

However, in both the above circumstances a proof / evaluation is required to affirm that the transaction is not RPT. This would need to be consistent with domestic transfer pricing requirements as well under the Income Tax Act, 1961.

### **Related party transactions not approved under this policy**

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take such action it deems appropriate.

In any case, where the Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has the authority to modify or waive any procedural requirements of this Policy.

### **Reporting of Related Party Transactions**

1. All such RPTs as may be statutorily required, shall be disclosed in the Annual Report of the Company.
2. The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
3. 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 of the Company.



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4. The Company shall submit within 15 days from the date of publication (w.e.f. April 01, 2023, on the date of publication) of its standalone and consolidated financial results for the half year, disclosures of RPT 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.

The Board shall review this Policy once every three years and make suitable modifications, as may be necessary.

Necessary entries would be made in the statutory registers maintained by the Company pursuant to the Act.

#### **Amendment**

Any subsequent modification / amendment to the provisions of the Act / Regulations shall automatically apply to this Policy.

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