



Kalpataru Limited

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

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I. Introduction and Background

The Board of Directors ("**Board**") of Kalpataru Limited ("**the Company**" or "**KL**") has adopted the following policy and procedures with regard to transactions with Related Party ("**the Policy**"), dealing with the requirements of relevant sections of the Companies Act, 2013 read with the Rules made thereunder ("**the Act**") and the relevant regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**the Listing Regulations**").

The Board shall review (at least once in every three years) and may consider amendments to this Policy based on the recommendations of the Audit Committee, from time to time, as it may deem appropriate.

The Policy shall be effective from the date of listing of equity shares of the Company ("**Effective Date**") and the same shall be applicable to all prospective transactions.

II. Objective of the Policy and scope

The purpose of this Policy is to ensure proper approval, disclosure and reporting of transactions, as applicable, between the Company and/ or its subsidiaries and their respective Related Parties with focus on addressing any potential or actual conflicts of interest that may arise from such transactions and ensuring that such transaction are in compliance with applicable laws and regulations.

Further, as per Listing Regulations, the Policy also outlines process for reviewing and approving Material Related Party Transactions.

The Company will conduct all transactions with Related Parties in alignment with this Policy, ensuring that such transactions are appropriate and that interests of the Company and its shareholders are adequately protected.

III. Definitions

- A. "**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;
- B. "**Arm's Length Price**" means a price which is applied or proposed to be applied in a transaction between two unrelated persons;
- C. "**Material Modification**" means any modification to Related Party Transaction having upward or downward variance of not less than 20% of the existing limit approved by the Audit Committee, the Board or the shareholders, as the case maybe or Rs. 1 Crore, whichever is higher.

- D. **“Material Related Party Transaction”** means a transaction with a Related Party shall be considered material, if the transaction to be entered into individually or taken together with previous transactions during a financial year, (other than its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval), exceeds rupees one thousand crore (Rs. 1,000 Crore) or ten per cent (10%) of annual consolidated turnover of the Company as per last audited financial statements of the Company, whichever is *lower*. For this purpose, any transaction involving payments made to Related Party with respect to brand usage or royalty, either individually or taken together with previous transactions during a financial year, exceeding five percent (5%) of the annual consolidated turnover of the Company as per Company’s last audited Financial Statement, shall also be considered as Material Related Party Transaction.
- E. **“Related Party”** shall have the meaning as defined to it under the Act, Regulation 2(1)(zb) of the Listing Regulations and applicable Accounting Standards including all amendments and modifications thereof, from time to time.
- F. **“Related Party Transaction”** shall have the meaning as defined to it under Regulation 2(1)(zc) of the Listing Regulations and applicable Accounting Standards including all amendments and modifications thereof, from time to time.
- G. **“Relative”** means relative as defined under the Act.

Any term and reference used and not defined herein shall have the meaning as assigned to them under the Act, the Listing Regulations and rules, regulations, notifications and circulars issued thereunder.

IV. Policy

- A. All Related Party Transactions shall be entered on arms' length basis. The Company adopts generally accepted principles and practices, may also refer for guidance provided in Accounting Standards, Income Tax Act, etc., for determining whether the transaction is at 'Arm's Length'.
- B. In exceptional circumstances, where permitted by law, Related Party Transactions may deviate from the principle of arm's length, after obtaining approval from Audit Committee, the Board of Directors and shareholders', as applicable.
- C. **Audit Committee approval**
- All Related Party Transactions and subsequent material modifications thereto shall require prior approval of the Audit Committee except the transactions specifically excluded as detailed in this section below.
 - Only those members of Audit Committee, who are independent directors, shall approve Related Party Transactions.
 - A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would also require approval of the Board or of Shareholders, as applicable.

- Transactions other than as referred in Section 188 of the Act with wholly owned subsidiaries and transactions between two or more wholly owned subsidiaries (whose accounts are consolidated with the Company) shall not require approval of the Audit Committee.
- **Omnibus Approval:** The Audit Committee, where it has satisfied itself of the need, and that such approval is in the interest of the Company, may grant Omnibus Approval for proposed Related Party Transactions of the Company or its subsidiaries, which are repetitive in nature, in ordinary course of business and on arm's length basis, subject to compliance with conditions prescribed under the Act and the Listing Regulations. In such cases, prior approval of Audit Committee for each such transaction will not be required.
- The Omnibus Approval shall specify:
 - (a) names of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into,
 - (b) indicative base price/ current contracted price and the formula for variation in the price if any; and
 - (c) other conditions as the Audit Committee may deem fit.
- Where the need for Related Party Transaction cannot be foreseen and the 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, details of Related Party Transactions entered into by the Company or its subsidiaries, pursuant to each of the omnibus approvals given. Any subsequent modification to approval shall require prior approval of the Audit Committee;
- Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such one year.
- A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for consideration, and ratification, if appropriate.
- A Related Party Transaction to which subsidiary of the Company (a listed entity) is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

- Prior approval of Audit Committee of the Company shall not be required for remuneration and sitting fees paid by the Company or its subsidiary to its director, KMPs or senior management, provided that the same is not material Related Party transaction, as defined above, and except to those who are part of Promoter or Promoter Group.
- Audit Committee may ratify Related Party Transactions within three months or in the immediate next meeting, whichever is earlier, subject to:
 - value of transactions with a Related Party less than rupees one crore in a financial year;
 - transaction is not material;
 - rationale for inability to seek prior approval be provided at the time of seeking ratification;
 - Ratification details be disclosed in the half-yearly disclosures of related party transactions in terms of Regulation 23(9) of Listing Regulations;
 - Other condition, if any, specified by Audit Committee.
- **Transactions with wholly owned subsidiaries:**
 - Only transactions as referred to in Section 188 of the Act by the Company with its wholly owned subsidiaries requires approval of the Audit Committee and that too prior approval is not required.
 - Other transactions, that is, transactions other than those referred to in Section 188 of the Act, by the Company with its wholly owned subsidiaries shall not require approval of the Audit Committee.
 - Transactions between two or more wholly owned subsidiaries of the Company (whose accounts are consolidated with the Company) shall not require approval of the Audit Committee.
- **Consequences of non-ratification**

Failure to seek ratification renders the transaction voidable at the discretion of the Audit Committee. The director concerned will have to indemnify the Company for loss, if any, if the transaction is with a Related Party of the director or is authorised by such director.
- Related Party Transaction to which the listed subsidiary of the Company, if any, is a party but the Company is not a party, if Regulation 23 and Regulation 15 (2) of Listing Regulations are applicable to such listed subsidiary of the Company.

Explanation: For Related Party Transactions of unlisted subsidiaries of the Company, if any, as referred to above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

D. Board Approval

- The Audit Committee shall report all “Material Related Party Transactions”, including that of unlisted subsidiaries, to the Board of Directors. Unless exempted, the Company shall seek prior approval of shareholders for “Material Related Party Transactions” and subsequent material modifications thereto.

- Transactions with Related Parties which are either not in the ordinary course of business or not at an arm's length basis shall require prior approval of the Board. The Board will *inter alia* consider factors such as, nature of the transaction, pertinent terms, manner of determining the pricing and the business rationale for entering into such transaction and any other information as the Board may deem relevant for taking decision on such proposed transaction.
- Any director who has any interest in any Related Party Transaction shall recuse himself and not be present in the meeting for discussion and voting on the Related Party Transaction.

E. Shareholders' Approval

- Material Related Party Transactions and subsequent Material modifications thereto, covered within the scope of Listing Regulations, shall require prior shareholders' approval through a resolution and Related Parties shall abstain from voting on such resolution.
- A material Related Party Transaction to which subsidiary of a listed entity is a party but the listed entity is not a party shall require prior shareholders' approval through a resolution and Related Parties shall abstain from voting on such resolution.
- Transactions with Related Parties covered under Section 188 of the Act which are not in the ordinary course of business, or not at arm's length basis and exceed the thresholds prescribed under Section 188 of the Act, shall require prior shareholders' approval through a resolution and Related Party with whom transaction is to be entered into shall abstain from voting on such resolution.
- The shareholders shall be provided with relevant information including those required under the Act, the Listing Regulations, applicable accounting standards taking into consideration any amendments thereof and circulars/notifications issued by regulators of aforesaid enactments, regarding the proposed Related Party Transaction in Explanatory Statement to be annexed to the notice of General Meeting/Postal Ballot so as to enable the shareholders to take an informed decision on the same.

Provided that prior approval of the shareholders of the Company shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15 (2) of Listing Regulations are applicable to such listed subsidiary.

Explanation: For Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

V. Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee.

The Audit Committee shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

VI. Disclosure and reporting

This Policy shall be uploaded on the website of the Company and web link thereto shall be provided in the Annual Report of Company.

Appropriate disclosures will be made in the Annual Report and to the Stock Exchanges as required under the Act and the Listing Regulations.

VII. Amendment

The Board of Directors has the authority to review and revise this Policy from time to time.

In the event of any conflict between the provisions of this Policy and the Listing Regulations or the Act or any other statutory enactments and rules thereto (the Law), the Law shall prevail.

Any subsequent amendment / modification in the Listing Regulations or the Act or applicable laws in this regard shall automatically apply to this Policy and the relevant provisions of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

For effecting any change necessitated due to change in Law, Managing Director and Company Secretary & Compliance Officer, are severally authorised to incorporate such change in the Policy without requiring any further action from the Board.