

**POLICY**  
**ON**  
**RELATED PARTY TRANSACTIONS**  
**OF**  
**KOTHARI PRODUCTS LIMITED**  
**(IN COMPLIANCE WITH THE REVISED CLAUSE 49 OF THE**  
**LISTING AGREEMENT)**

## 1. Preamble

This Related Party Policy (“Policy”) is prepared and adopted to build a framework for the Related Party Transactions of Kothari Products Limited (“Company”), in accordance with the requirement of Clause 49 of the Listing Agreement entered into between the Company and the BSE Limited and the National Stock Exchange (“Stock Exchanges”) read with the provisions of the Companies Act, 2013 and relevant rules made thereunder as amended from time to time. This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws and regulations.

## 2. Purpose

The Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges, and as effective from 1<sup>st</sup> October, 2014 mandates that all listed companies shall formulate their Related Party Transaction Policy, to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Company is required to make various disclosures of its related party transactions before the Board/Shareholders as the case may be and also disclosure with respect to the same are required to be made in the Board Report, Financial Statements and other specified documents on specified tenures. This Policy is also prepared for the identification and regulation of the Related Party Transactions keeping in view the provisions of the Companies Act, 2013 and the Rules made thereunder.

## 3. Definitions

- 3.1 **“Act”** means the Companies Act, 2013.
- 3.2 **“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
- 3.3 **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013.
- 3.4 **“Board”** means Board of Directors of the Company.
- 3.5 **“Company”** means Kothari Products Limited.
- 3.6 **“Interested director”** means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a Company.
- 3.7 **“Key Managerial Personnel”** means key managerial personnel as defined under the Act and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Chief Financial Officer; and
- (iii) Company Secretary

**3.8** **“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions 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.

**3.9** **“Policy”** means Related Party Transaction Policy.

**3.10** **“Related Party”** means related party as defined in Clause 49 of the Listing Agreement which is as follows:

An entity shall be considered as 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.

**3.11** **“Related Party Transaction”** means a transfer of resources, services or obligations between a Company and a Related Party, regardless of whether a price is charged and such other transactions as mentioned in Section 188 of the Act and rules made thereunder (including any amendment thereto).

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

**3.12** **“Relative”** means relative as defined under the Act and includes any one who is related to another, if –

- (i) They are members of a Hindu undivided family
- (ii) They are husband and wife
- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

## **4. Policy**

Following is the structure of dealing with transactions with Related Parties with the Company:

- (i) Identification of potential Related Party Transactions;
- (ii) Approval of Related Party Transactions; and
- (iii) Disclosure of Related Party Transactions.

### **4.1 Identification of potential Related Party Transactions**

The potential Related Party Transactions shall include the following:

**4.1.1** As per the Act, the transactions which shall be considered as Related Party Transactions, if entered into between the Company and its Related Party are any contracts or arrangements that the Company enters into with a Related Party with respect to:

- (i) Sale, Purchase or Supply of any goods or materials;
- (ii) Selling or otherwise disposing of, or buying property of any kind;
- (iii) Leasing of property of any kind;
- (iv) Availing or rendering of any services;
- (v) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (vii) Underwriting the subscription of any securities or derivatives thereof, of the Company; or

**4.1.2** Any other transactions with Related Parties as per the Listing Agreement.

The Audit Committee shall determine whether or not such transaction constitutes a Related Party Transaction, requiring the compliance with this Policy. The Audit Committee shall review information about the proposed transaction, and refer it to the Board of Directors for its approval.

Every Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction constitutes a Related Party Transaction requiring compliance with this policy.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

## **4.2 Approval of Related Party Transactions**

**4.2.1** Each potential Related Party Transaction shall be reviewed by the Audit Committee, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

**4.2.2** All Related Party Transactions shall require the prior approval of 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:

(i) The Audit Committee shall lay down the criteria (refer para no. 4.4.1) for granting the omnibus approval in line with the Policy of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.

(ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

(iii) 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.

(iv) Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

(v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

**4.2.3** Further approval of shareholders by way of special resolution along with Board & Audit committee shall be required if such transaction exceeds such limits as mentioned under the Act and rules thereto and listing agreement including any amendment thereto from time to time and the Related Parties shall abstain from voting on such resolutions.

## **4.3 Non-Participation of Interested Directors**

Where any director(s) is interested in any contract or arrangement with a Related Party, he/she shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

#### **4.4 Transactions in ordinary course of the business**

The approval of the Audit Committee, Board and shareholders will be required even if the transaction is in ordinary course of business and at Arm's length if such transaction(s) qualifies to the concept of materiality.

All the potential Related Party Transactions shall be reviewed in detail by the Audit Committee. Audit Committee shall determine whether the said transaction is fair and is being carried out on an Arm's length basis to the Company. It shall also consider whether the Audit Committee was informed of the proposed transaction well in advance, and whether all the relevant information was disclosed or not, including no suppression of facts. The Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any director or Key Managerial Personnel of the Company or any Related Party.

**4.4.1** The Audit Committee will be provided with all relevant material information of the transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The Committee shall consider the following criteria before approving a Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on Arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (iii) Whether the Related Party Transaction would affect the independence of an independent director;
- (iv) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (v) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought; and
- (vi) Whether the Related Party Transaction 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 overall financial position of the director, executive officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction.

However, the following Related Party Transactions shall not require approval of the Audit Committee or Shareholders of the Company:

- (i) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- (ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- (iii) Any transaction entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

#### **4.5 Disclosure of Related Party Transactions**

**4.5.1** Every Related Party Transaction entered into shall be disclosed in the Board's report to the shareholders along with the justification for entering into such Related Party Transactions.

**4.5.2** The agenda of the Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose:

- (i) name of the Related Party and nature of relationship;
- (ii) nature, duration and particulars of the contract or arrangement;
- (iii) material terms of the contract or arrangement including the value, if any;
- (iv) any advance paid or received for the contract or arrangement, if any;
- (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (vi) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (vii) any other information relevant or important for the Board to take a decision on the proposed transaction.

**4.5.3** The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the Act shall contain the following particulars:

- (i) Name of the Related Party;
- (ii) Name of the directors or Key Managerial Personnel who is related, if any;
- (iii) Nature of relationship;
- (iv) Nature, material terms, monetary value and particulars of the contract or arrangement;
- (v) Any other information relevant or important for the members to take a decision on the proposed resolution.

**4.5.4** Adequate disclosure of all material transactions with Related Parties shall be disclosed quarterly along with the compliance report on corporate governance.

**4.5.5** 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. A register of Related Party Transactions shall be maintained and placed before the Board for its approval.

## **5. Related Party Transactions not approved under this Policy**

In the event the Company comes to know of a Transaction with a Related Party which has not been approved under this Policy, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the said transaction and shall evaluate all options available with the Company including revision, ratification or termination of the Related Party Transaction. The Audit Committee shall also examine the reasons for not reporting the Related Party Transaction to the Audit Committee and shall take any reasonable action in this regard as it deems appropriate.

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

## **6. Review**

The Committee shall, at least once in each year, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure that it remains consistent with the Board's objectives, laws applicable and the best practices.

## **7. Consequences of non-compliance of such policy for any Related party transaction**

Non-compliance of this Policy may lead to the prescribed penal consequences under the Companies Act and the Listing Agreement.