

POLICY ON MATERIALITY OF RELATED
PARTY TRANSACTIONS AND ON
DEALING WITH RELATED PARTY
TRANSACTIONS

CONTENTS

1. Purpose and Regulatory Framework	3
2. Definitions	3
3. Overview of Legal Framework for Approval of Related Party Transactions	5
4. Identification of Related Parties and Related Party Transactions	5
5. Procedure for Approval and Review of Related Party Transactions	7
6. General	11
7. Revision in the Policy	11

Modified & approved by the Board of Directors of Kesar Enterprises Limited on 09th February, 2022.

Effective date of modification is 1st April, 2022.

1. Purpose and Regulatory Framework

Kesar Enterprises Limited (“Company”) is governed, amongst others, by the rules and regulations framed by Securities Exchange Board of India (“SEBI”) as well as the provisions of the Companies Act, 2013 (“the Act”).

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. Further, the Act also regulates transactions with related parties and the necessary provisions are provided in Sections 177 and 188 of the Act.

Accordingly, the Company has formulated this policy (Policy) on materiality of Related Party Transactions and on dealing with Related Party Transactions. This Policy regulates all transactions between the Company and its Related Parties (as defined below)

2. Definitions

“**The Act**” means the Companies Act, 2013, together with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as “Act”).

“**Accounting Standards**” means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.

“**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.

“**Policy**” means Policy on Related Party Transactions.

“**Board**” means Board of Directors of the Company.

“**Audit Committee**” means Committee of Board of Directors of the Company constituted under the applicable laws.

“**Key Managerial Personnel**” or “**KMP**” means:

- (i) Chief Executive Officer (CEO) or the Managing Director or the Manager as defined under the Act;
- (ii) Company Secretary;
- (iii) Whole- Time Director; and
- (iv) Chief Financial Officer (CFO) and
- (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;

“Related Party” is a person or an entity which is:

- (i) a related party under Section 2(76) of the Act;
- (ii) a related party under the applicable Accounting Standards;
- (iii) any person or entity forming a part of the promoter or promoter group of the Company;
- (iv) any person or any entity, holding equity shares of 20% **(10% w.e.f. April 1, 2023)** or more in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year;

“Related Party Transaction” means a transaction involving transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, **(w.e.f. April 1, 2023)**;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.

Illustrative list of related party transactions is as follows:

- (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
- (f) related party’s appointment to any office or place of profit in the Company, its subsidiary company or associate company and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company
- (h) Sharing of Office Space

“Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications or re-enactments thereof for the time being in force

“Material Related Party Transaction” means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;

In case of any other transaction(s), if the amount exceeds Rs. 1000 Crores or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower;

“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. Overview of Legal Framework for Approval of Related Party Transactions:

Section 177 of the Act provides that all transactions with related parties and modification thereof shall require the approval of Audit Committee. Regulation 23 of the regulations also mandates that all related party transactions and subsequent material modifications shall require prior approval of the Audit Committee.

Section 188 of the Act specifies certain transactions with related parties, which if not at arm’s length or not in ordinary course of business shall require prior approval of Board of Directors in addition to approval of the Audit Committee.

The following Related Party Transactions shall require prior approval of the Shareholders by way of ordinary resolution, in addition to the approval of the Audit Committee and the Board of Directors:

- a) Related Party Transactions which are not in ordinary course of business and not on arm's length basis and which crosses threshold limit as prescribed under Section 188 of the Act read with rules made thereunder.
- b) Material Related Party Transactions

4. Identification of Related Parties and Related Party Transactions:

- a. Each Director and Key Managerial Personnel is responsible for providing declaration to the Company Secretary on Related Parties involving him / her and his / her Relative, including any additional information that the Company Secretary may reasonably request. Further, the Director / Key Managerial Personnel shall intimate the Company Secretary as and when any changes occur in list of the Related Parties, as mentioned in the declaration.

- b. The Company Secretary shall maintain a database of Related Parties containing the names of individuals, companies and other entities identified based on the definition of Related Party and declaration provided by the Directors and Key Managerial Personnel. The list of Related Parties shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the heads of functional departments.
- c. The heads of functional departments shall submit to the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Audit Committee as explained subsequently) with draft agreement or other supporting documents and such other details/information as may be communicated by the Company Secretary from time to time as required to be provided under any law, rules or regulations for time being in force. The documents/details/information provided shall specify if the transaction is in ordinary course of business and at arm's length or not. Based on such information, the Company Secretary will facilitate for the necessary approval from the Audit Committee, Board of Directors and/or shareholders, in accordance with law.

Ascertaining whether Related Party Transactions are in the Ordinary Course of Business:

What transactions would be considered to be in the "ordinary course of business" has not been specified under the Act. Following are the broad guidelines that may be followed in order to ascertain if a particular transaction is an ordinary course of business of the Company.

A. In order to determine whether a transaction is within the ordinary course of business or not, some of the principles that may be adopted to assess are as follows:

- a) whether the transaction is in line with the usual transactions, customs and practices undertaken by the company to conduct its business operations and activities;
- b) whether it is permitted by the Memorandum and Articles of Association of the company;
- c) whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a company; and
- d) Whether the transactions are common in the particular industry

B. Any of the following conditions are met:

a) The transaction, including, but not limited to sale or purchase of goods or property, or acquiring or providing of services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing or availing of any guarantees or collaterals, or receiving or providing any financial assistance, or issue, transfer, acquisition of any securities, is in the normal routine of the Company's business; or

b) The transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner; and

C. The transaction is not

a) an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements;

b) any sale or disposal of any undertaking of the Company, as defined in explanation to clause (a) of sub-section (1) of section 180 of the Act,

Whether the proposed transaction is either similar to transactions which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future, will be also important consideration to decide if the transaction is in ordinary course of business. Further, whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. An exceptionally large value transaction will attract closer scrutiny.

Ascertaining whether Related Party Transactions are on an Arm's Length Basis:

The following illustrative tests may be used for ascertaining arm's length nature of contracts / arrangements / transactions that may be entered into by the Company with related parties, or any modification, variation, extension or termination thereof:

- a. The contracts/ arrangements/ transactions are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
- b. The contracts/ arrangements have been commercially negotiated.
- c. The pricing is arrived at as per the rule/guidelines/methods specified under Income Tax Act, 1961 as may be applicable to a particular contract / arrangement / transaction.

The Audit Committee shall be entitled to rely on professional opinion or representation from the counter party in this regard. Notwithstanding the above, whether a particular transaction is on arm's length basis or not, is a decision to be taken by the Board of Directors and the Audit Committee of Directors of the Company. Once the Board of Directors on the recommendation of Audit Committee, determines that the relevant transaction has taken place on an arm's length basis, so long as they have reasonable basis for the same, their decision shall be final.

5. Procedure for Approval and Review of Related Party Transactions:

A. Approval of Audit Committee:

- All related party transactions and subsequent modifications including material modifications must be referred to the Audit Committee for its prior approval. Only members of the Audit Committee who are Independent Directors shall approve the related party transactions and no other director shall be involved in approval process of the transaction, even though he or she is member of Audit Committee.

Material Modification

***Material Modification of a Related Party Transaction** shall mean such modification in the transaction which changes the nature, pricing, periodicity or other key terms and conditions significantly from those which were previously approved by the Audit Committee and such modification is of such a nature, which requires the Audit Committee to re-consider the transaction as a whole, provided that the following shall be deemed to be material modification:

- a. Change in amount payable or receivable under a transaction by more than 10%.
- b. Change in periodicity of transaction by more than 3 months;
- c. Change in % of Interest being charged under an agreement by more than 1%
- d. Change in credit period by more than 15 days

Notwithstanding the above, the Audit Committee, may while approving any related party transaction, define the criteria based on which material modification in said the transaction shall be ascertained for the purpose of approval by the Audit Committee.

- A related party transaction to which a subsidiary of the Company 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company. With effect from April 1, 2023, 10% limit shall be read with reference to the annual standalone turnover, as per the last audited financial statements of the subsidiary.

However, prior approval of the audit committee of the Company shall not be required for a related party transaction to which a listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the regulations are applicable to such listed subsidiary. For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.

- All relevant facts pertaining to a Related Party Transaction shall be placed with the Audit Committee, inclusively:
 - a. the name of the related party and nature of relationship;
 - b. the nature, duration of the contract and particulars of the contract or arrangement;
 - c. the material terms of the contract or arrangement including the value, if any; and
 - d. any advance paid or received for the contract or arrangement, if any.
 - e. any other information relevant or important for the Committee to take a decision on the proposed transaction.

- In determining whether approval can be accorded to a Related Party Transaction, the Audit Committee shall consider the following factors:
 - a. whether the Related Party Transaction is in the ordinary course of business of the Company;
 - b. whether the terms of the Related Party Transaction is on arm's length basis;
 - c. whether there are any adequate reasons of business expediency for the Company to enter into the Related Party Transaction, after comparing alternatives available, if any;
 - d. whether the Related Party Transaction would affect the independence of any director / key managerial person;
 - e. whether the proposed Related Party Transaction includes any potential reputational / regulatory risks that may arise as a result of or in connection with the proposed transaction; and
 - f. 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 Related Party, the direct or indirect nature of interest of the Related Party in the transaction and such other factors as the Audit Committee deems relevant

B. Omnibus Approval by Audit Committee:

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions:

- (a) the audit committee shall, after being authorized by the Board of Directors, lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- (c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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:

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 rupees one crore per transaction.

Transactions of the following nature are not to be subjected to the omnibus approval mechanism:

- Transactions which are not in the ordinary course of business or not at arm's length.
- Transactions which are not repetitive in nature.
- Transactions exceeding the threshold limits specified for omnibus approval.
- Inter-corporate loans given / taken by the Company to / from related parties and purchase / sale of investments from / to related parties.
- Any other transaction as may be specified by the Audit Committee.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

(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.

C. Approval of Board of Directors:

- (a) Related Party Transactions referred to in Section 188 (1) of the Act, which are not in the ordinary course of business or not at arm's length basis shall be placed for prior approval of the Board of Directors. Further, as a matter of practice, all material related party transactions and modifications therein shall also require approval of Board of Directors, before the same are
- (b) In case of any other transaction, if the Audit Committee does not approve the transaction, it shall make its recommendations to Board for appropriate action.
- (c) The agenda of the Board meeting at which the resolution for approving related party transaction is proposed to be moved shall disclose-
- (a) the name of the related party and nature of relationship;
 - (b) the nature, duration of the contract and particulars of the contract or arrangement;
 - (c) the material terms of the contract or arrangement including the value, if any;
 - (d) any advance paid or received for the contract or arrangement, if any;
 - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - (f) 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
 - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

D. Approval of Shareholders:

1. All Material Related Party Transactions (including those in which a subsidiary of the Company is a party but the Company is not a party) and subsequent material modifications therein shall require prior approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not. However, approval of shareholders will not be required for transactions entered into between the company and its wholly owned subsidiary company or between two wholly owned subsidiary companies, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

In respect of material related party transaction to which a listed subsidiary is a party but the company is not a party, prior approval of shareholders of the Company shall not be need if regulation 23 and sub-regulation (2) of regulation 15 of the regulations are applicable to such listed subsidiary. Further, for related party transactions of unlisted subsidiaries, prior approval of the listed subsidiary shall suffice.

2. Related Party Transactions which are not in the ordinary course of business or not at arm's length basis and which are in excess of the limits prescribed under Section 188 of the Act and subsequent modifications therein, shall also require an approval of the Shareholders by way of a resolution passed at the general meeting of the Company; and in such cases, no member shall vote to approve the transaction if such member is a related party. However, approval of shareholders will not be required for transactions entered into between the company and its wholly owned subsidiary company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

6. General

- a. In case of any audit committee member or any director having any interest, whether direct or indirect, in any proposed related party discussion, he or she shall not only refrain from participating in discussion thereon but also not vote on any such proposal.
- b. The Company shall duly comply with all the disclosure requirements as prescribed under the law including the Regulations and the Act in respect of related party transactions at all times.

7. Revision in the Policy

The Policy would be subject to revision/amendment in accordance with the Laws. However, if there is any amendment in any law, which necessitates changes to be made in the policy, the policy shall always be deemed to have been amended to comply with the amended law till the time necessary changes are made and approved by the Board of Directors.

The Audit Committee shall review the Policy at least once in three years and make its recommendations to Board for approving recommended changes, if any, in policy.