



## **KOTHARI INDUSTRIAL CORPORATION LIMITED**

### **POLICY ON RELATED PARTY TRANSACTION**

#### **1. INTRODUCTION:**

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions. In addition, The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of Related Party transactions and also a policy on dealing with related party transactions. Accordingly, the Board of Directors (the “Board”) of Kothari Industrial Corporation Limited (the “Company” or “KICL”), has adopted a policy and standard operating procedures to regulate transactions between the Company and Related Parties.

#### **2. APPLICABILITY:**

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions. Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as “Related Party Transaction”.

#### **3. SCOPE AND PURPOSE:**

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors (“Audit Committee”), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

#### **4. DEFINITIONS:**

- a) **“Act”** shall mean the Companies Act, 2013 and includes any amendment thereof.
- b) **“Related Party”**: an entity shall be considered as related to the Company if: i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or ii) such entity is a related party under the applicable Accounting Standards.
- c) **“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.
- d) **“Related Party Transaction/s”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.
- e) **“Material Related Party Transaction”** will have the meaning ascribed to it in the Explanation to Regulation 23(1) and 23(1A) of the Listing Regulations i.e. if the RPT to be entered into individually or taken together with previous transactions during a financial year with such related party, exceeds one thousand (1,000) crore or ten (10) per cent of the annual consolidated turnover of the Company as per the Company’s last audited financial statement, whichever is lower. Further, 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 (5) per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company.

#### **REVIEW AND APPROVALS OF RELATED PARTY TRANSACTION:**

##### **A) AUDIT COMMITTEE:**

All RPTs and subsequent Material Modifications require prior approval of the Audit Committee. However, the Company can obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- 1) The Audit Committee shall, subject to the approval of the Board of Directors, lay down the criteria for granting the omnibus approval in accordance with the provisions of 2013 Act and the Rules made thereunder.
- 2) The Audit Committee while granting omnibus approval shall consider the repetitiveness of the transactions (in past or in future) and justification for the need of such approval. o The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- 3) The 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.

However, in case of RPTs which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval provided the value of RPT does not exceed rupees one (1) crore per transaction.

- 4) The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- 5) Such omnibus approval shall be valid for a period of one (1) financial year and shall require fresh approvals after the expiry of one (1) financial year.
- 6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

**APPROVAL OF AUDIT COMMITTEE FOR THE TRANSACTIONS UNDERTAKEN BY SUBSIDIARY OF THE COMPANY:**

The Audit Committee shall provide prior approval for following Related Party Transactions where the Company is not a party, but subsidiary is a party:

- i. Transactions whether entered individually or taken together with previous transactions during a financial year exceeds ten (10) per cent of the annual consolidated turnover as per the last audited financial statements of the Company;
- ii. Transactions whether entered individually or taken together with previous transactions during a financial year exceeds ten (10) per cent of the annual standalone turnover as per the last audited financial statements of the subsidiary.

These provisions are not applicable in case of a listed subsidiary of the Company, if any, wherein the Company is not a party.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

♣ Nature of the transaction i.e., details of goods or property to be acquired/transferred or services to be rendered/availed – including description of

functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

♣ Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

♣ Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction; ♣ Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

♣ Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

i) market analysis, research report, industry trends, business strategies, financial forecasts, etc.;

ii) third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;

iii) management assessment of pricing terms and business justification for the proposed transaction;

iv) comparative analysis, if any, of other such transaction entered into by the company.

## **5. APPROVAL OF THE BOARD AND THE SHAREHOLDERS:**

The Board shall approve such Related Party Transactions as are required to be approved under Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee.

- 1) In addition to the above, the following kinds of transactions with related parties shall also place before the Board for its approval:
  - a) 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 approval;
  - b) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
  - c) Material Related Party Transactions as well as Related Party Transactions and subsequent modifications requiring shareholders' approval under Section 188 of the Companies Act, 2013 and Rules made thereunder, which are intended to be placed before the shareholders for approval.

Where any director is interested in any Related Party Transaction, such director shall not remain present at the meeting when Related Party Transactions is considered.

Further, all such Related Party Transactions exceeding the threshold limits prescribed in the Act shall also require prior approval of shareholders of the Company and Related Party/ies shall abstain from voting on such resolution.

**6. RPTS NOT APPROVED UNDER THIS POLICY:**

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

In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

**7. REALTED PARTY TRANSACTIONS OR MATERIAL RELATED PARTY TRANSACTION NOT PREVIOUSLY APPROVED:**

Where any contract or arrangement is entered into by the Company with a Related Party, without obtaining the consent of the Board or approval by a resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.

**8. POLICY REVIEW AND AMENDMENTS:**

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and Listing Regulations and must be approved in the manner as may be decided by the Board of Directors.

The amended Policy as approved by the Board on 27.03.2025,

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