

## **KCL LIMITED**

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

#### **PREAMBLE:**

The Board of Directors (the “Board”) of KCL Limited (the “Company”), has adopted the following policy and procedures with regard to dealing with Related Party Transactions and materiality of Related Party Transactions as defined below. The Audit Committee will review and may recommend amendment in this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

#### **PURPOSE:**

This policy is framed as per requirements of Regulation 23 of the SEBI ( Listing Obligations and Disclosure Requirements ) Regulations , 2015 read with extant provisions of Companies Act, 2013 and rules made there under and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

#### **DEFINITIONS:**

“**Audit Committee or Committee**” means constituted under provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 and Companies Act, 2013.

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

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as amended from time to time.

“**Key Managerial Personnel**” key managerial personnel as defined under the Companies Act, 2013 and includes:

- i. CEO/Managing Director/Manager;
- ii. Whole-time Director;
- iii. Chief Financial Officer;
- iv. Company Secretary;
- v. Such other officer as may be prescribed under the applicable statutory provisions/regulations.

“**Material Related Party Transaction**” means

1. A transaction with related party if the transaction/transactions to be entered into (directly or through appointed agents) individually or taken together with previous transactions during a financial year exceeds

Nature of Transaction	Transaction amount	
Sale, Purchase or Supply of any goods or materials	10% of Turnover of the Company as per latest Audited Financial Statement	
Selling or Otherwise disposing of or buying property of any kind	10% of Net Worth of the Company as per latest Audited Financial Statement	
Leasing of Property of Any Kind	10% of Net Worth/Turnover of the Company as per latest Audited Financial Statement	
Availing or Rendering of Any Services	10% of Turnover of the Company as per latest Audited Financial Statement	
Appointment to Any Office or Place of Profit in the Company	Monthly remuneration of Rs. 2.50 Lakhs	
Remuneration for Underwriting the subscription of any securities or derivatives thereof	1% of Net Worth of the Company as per latest Audited Financial Statement	

2. Any transaction or transactions with a Related Party individually or taken together with previous transactions during a financial year exceeding 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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

“**Related Party**” means related party as defined in clause (zb) of Regulation 2 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 and Section 2(76) of Companies Act, 2013.

“**Related party transaction**” means a transfer of resources, services or obligations between a listed entity and a related party, 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:

“**Relative**” means relative as defined under Section 2(77) of the Companies Act, 2013 and the rules made thereunder.

**POLICY:** All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

### **IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:**

Each director and Key Managerial Personnel is responsible for providing notice to the Board and Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly 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.

### **PROHIBITIONS RELATED TO RELATED PARTY TRANSACTIONS:**

All Related Party Transactions shall require prior approval of Audit Committee and Board. Further, all Material Related Party Transactions shall require prior approval of the shareholders through Ordinary Resolution and the Related Parties shall abstain from participating and voting on such resolutions.

### **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party 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 information. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

1. Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
2. 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;
3. Whether the Related Party Transaction would affect the independence of an independent director;

4. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

5. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

6. 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 and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

All the Related Party Transactions should be brought before the Board and the Board shall take into account the above considerations and recommendation of Audit Committee before approving the same with or without such modifications as may be necessary or appropriate under the circumstances. Any disapproval of Board to any related party transaction shall be recorded with reasons in writing.

#### **EXCEPTIONS**

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her 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. Transactions entered into by the Company in its ordinary course of business and are on arms' length basis, provided that such transactions shall be reported/intimated to the Audit Committee and Board.

#### **RECORDING OF RELATED PARTY TRANSACTIONS AND PLACEMENT OF REGISTER BEFORE THE BOARD:**

In terms of Section 189 of the Companies Act, 2013 read with Sections 188 and 184 the Company shall keep one or more registers giving separately the particulars of all contracts or arrangements to Directors or KMPs are directly or indirectly interested, in such manner and containing such particulars as may be prescribed and after entering the particulars, such register or registers shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

**RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:**

In the event the Company becomes aware of a Related Party 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 any such action it deems appropriate. The Board may consider ratification of such a transaction upon recommendation of Committee on sufficient cause or reasons to be recorded in writing and thus can allow such a transaction.

In any case, where the Committee or Board determines 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 Board has authority to modify or waive any procedural requirements of this Policy only on reasonable and sufficient grounds.

This Policy on Related Party Transactions shall be governed by the Companies Act, 2013 read with Rules made there under, as may be in force for the time being as well as Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 as amended from time to time or such other Rules/Regulations, as may be notified by SEBI in this regard. Any inconsistency among the above laws and this policy arising at any point of time shall be override by the statutory provisions and meaning to the terms shall thus be construed accordingly.

This Policy will be communicated to all operational employees and other concerned persons of the Company.