KEC International Limited

POLICY ON

RELATED PARTY TRANSACTIONS

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1. OBJECTIVE:

This Policy aims to ensure compliance of the applicable provisions of the Companies Act, 2013 & Rules made there under ("the Act"), Indian Accounting Standard (IND AS) 24, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), applicable Industry Standards and such other guidelines, circulars or directions issued by SEBI, Ministry of Corporate Affairs or any other competent authority, from time to time which relate to the identification of the Related Parties and governance & approval of the Related Party Transactions, wherever required.

2. DEFINITIONS:

2.1. Arms' Length Transactions:

"Arms' Length Transaction" shall mean:

(a) a transaction between the Company and the Related Party that is conducted as if they were unrelated, so that there is no conflict of interest; and

(b) the price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed Transfer Pricing Guidelines prescribed under the Income- tax Act, 1961.

2.2. Key Managerial Personnel shall have the same meaning as assigned in section 2(51) of the Act and applicable provisions of the SEBI Listing Regulations.

2.3. Ordinary Course of Business: means a transaction which/wherein:

"Ordinary Course of Business" shall mean the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

2.4. Promoter and Promoter Group shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

2.5. Related Party

"Related Party" as per the provisions of Companies Act, 2013 and SEBI Listing Regulations shall mean:

(i) a related party as defined under Section 2(76) of the Act read with applicable Rules made thereunder;
(ii) a related party as defined under the applicable Indian Accounting Standards;

(iii) any person or entity forming a part of the Promoter or Promoter group of the Company;
(iv) any person or entity, holding equity shares of 10% 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 immediately preceding financial year.

2.6. Related Party Transaction(s):

"Related Party Transaction" **shall mean a transaction involving transfer of resources, services** or obligations between:

a) 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
b) 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 Company or any of its subsidiaries.

Regardless of whether a price is charged and includes:

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.

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 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;

(c). Retail purchases from the Company or its subsidiary by its directors or Key managerial personnel and their relatives without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

For the purpose of the above, a Related Party Transaction shall include a single transaction or a group of transactions in a contract, with a Related Party.

2.7. **Relative** shall have the same meaning as assigned in section 2(77) of the Act.

3. MATERIAL RELATED PARTY TRANSACTION:

"Material Related Party Transaction" shall mean a transaction to be entered into with and between Related Parties, which individually or taken together with previous transactions during a financial year, exceeds the threshold of:

- 5% of the annual consolidated turnover of the Company as per its last audited financial statements, or such sum or limit as may be prescribed under the SEBI Listing Regulations, in case of transactions involving payments made with respect to brand usage or royalty, or

- As specified in Regulation 23 read with Schedule XII of the SEBI Listing Regulations, in case of other transactions as per Annexure A

4. MATERIAL MODIFICATIONS TO RELATED PARTY TRANSACTIONS

'Material Modifications to Related Party Transactions' shall mean modification to the Related Party Transaction which substantially changes the nature / tenure of transaction as considered by Audit Committee while approving the transaction at the first instance.

5. IDENTIFICATION OF RELATED PARTIES:

The Company may seek required disclosures or information as may be deemed necessary, to identify a Related Party.

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

6.1 Approval by the Audit Committee:

6.1.1. The Company shall not enter into any Transactions with any Related Party and/or make material modifications to such transactions without prior approval of the Audit Committee of the Company. Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

6.1.2. Wherever necessary, the Audit Committee may, after examining all the information or documents, if any, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company or its subsidiary, subject to the following conditions:

i. The following criteria for granting omnibus approvals are fulfilled:
   - The transactions qualify to be in the "Ordinary Course of business" as defined above and satisfy "Arm's length price" condition.
   - The transactions are repetitive in nature

ii. The Audit Committee has satisfied itself the need for such omnibus approval and that such approval is in the interest of the Company.

iii. Where the need for Related Party Transaction cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1 crore per transaction.

iv. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval granted.

v. The omnibus approval granted shall be valid for a period not exceeding one financial year and shall require fresh approval every year.

6.1.3 The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

6.1.4 In addition to the above, prior approval of Audit Committee of the Company shall be required for a related party transaction above rupees one Crore where the subsidiary(ies) of a Company is a party and the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds the lower of the following:

- 10% of the annual standalone turnover as per the last audited financial statements of the Subsidiary; or
- the threshold for material related party transactions of listed entity as specified in Schedule XII of the SEBI Listing regulations as per Annexure A

6.1.5 The Audit Committee shall consider the information/documents, as may be required under the Act and the SEBI Listing Regulations related to Related Party Transactions placed before it and either approve or reject the same on merit.

6.2 Approval of the Board:

6.2.1 The following Related Party Transactions shall, after the approval of the Audit Committee, also be placed before the Board of Directors for approval:

a. Transactions not at arm's length.
b. Transactions not in ordinary course of business.
c. Material Related Party transactions as specified in Clause 3.

6.2.2. The Board of Directors shall consider the information/documents related to Related Party Transactions as referred in clause 6.2.1, as placed before it and either approve or reject the same on merit.

6.2.3. If any director is interested in any Related Party Transaction with the Related Party, he/she shall not be present at the Board/Committee Meeting, neither during the discussion on the subject matter, nor at the time of voting on the resolution relating to such Related Party Transaction.

6.3 Approval by the Shareholders:

6.3.1. The following Related Party Transactions shall, after the approval of Board, shall also be placed before the shareholders for their prior approval:

a. All Material Related Party transactions as specified in Clause 3 and subsequent material modifications thereto.

b. All Related Party Transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act, thereby requiring the approval of shareholders.

c. Clause (a) and (b) shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary (direct or indirect) whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

6.3.2. The Board of Directors shall, decide whether the approval of the Related Party Transactions by the shareholders shall be sought at the General Meeting or through Postal Ballot in accordance with the Act and Rules thereunder.

6.3.3. In case of all the material Related Party Transactions requiring approval of the shareholders through resolution and no Related Party shall vote to approve such resolutions whether the entity is a Related party to the particular transaction or not.

6.4 Ratification of Related Party Transactions in exceptional cases:

6.4.1. Any Related Party Transaction, which is not under omnibus approval, entered into by the Company with a Related Party, without obtaining the consent of Audit Committee or the Board of Directors or approval of shareholders in General Meeting, can in genuine cases be ratified by the Audit Committee or the Board of Directors or the shareholders at a General Meeting, as permitted under the applicable laws, provided that such Director or any other employee who had authorised such transactions agrees to indemnify the Company against loss incurred by the Company, if any.

6.4.2 Approval for such exceptional Related Party Transactions shall be granted by the Audit Committee and/or Board of Directors, as the case may be on merit and approval of the shareholders by way of Resolution shall also be obtained, wherever required.

6.4.3 While seeking the approval of the Audit Committee, Board or the Shareholders, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the Act, SEBI Listing Regulations including disclosures required under Industry Standards on "Minimum information to be provided to the Audit Committee and Members for approval of Related Party Transactions" and any other laws or by the Audit Committee or the Board, shall be duly provided to the Audit Committee, Board or Shareholders, as the case may be.

7. GENERAL EXEMPTION:

7.1 Transactions entered into between two wholly-owned subsidiaries (direct or indirect) of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

7.2 Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

8. DISCLOSURE:

8.1 Disclosures as appropriate concerning the Related Party Transactions and/or Material Related Party Transactions shall be made in the Annual Report of the Company including its Financial Statements, on the website of the Company and also to the Stock Exchanges where equity shares of the Company are listed and to such other authority as may be prescribed, from time to time.

8.2 Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of the Act and the SEBI Listing Regulations.

9. MISCELLANEOUS:

9.1 This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

9.2 Dealing with Related Party Transactions shall be in accordance with the Act & Rules made thereunder, SEBI Listing Regulations, applicable Indian Accounting Standards and other applicable provisions for the time being in force.

9.3 In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the SEBI Listing Regulations, Act and/or applicable laws in this regard shall mutatis mutandis apply to /prevail upon this Policy alongwith its annexure(s).

Annexure A

A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds the following:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

Document History

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