

KENT R O SYSTEMS LTD

POLICY ON RELATED PARTY TRANSACTIONS

Revision History

Date	Author	Section	Change Description	Reason for Change	Version
8 th Jan 2025	PK Trivedi	Complete Policy	New policy drafted	NA	v1.0

PK Trivedi

INTRODUCTION

This **Policy on Related Party Transactions** ("Policy") is intended to ensure timely identification of Related Party Transactions ("RPTs"), detail their salient terms and conditions, outline the approval process, and ensure transparency to avoid conflicts of interest. The Policy has been formulated as per the provisions of the **Companies Act, 2013** ("Act") read with its rules, and **Regulation 23** of the **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015** ("Listing Regulations").

This Policy governs transactions between the Company or its subsidiaries and their Related Parties, ensuring compliance with applicable laws and regulations.

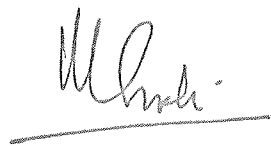
OBJECTIVE

The objectives of this Policy are to:

1. Ensure proper approval, disclosure, and reporting requirements for transactions between the Company and its Related Parties.
2. Ensure that Related Party Transactions are conducted transparently and in compliance with applicable laws.
3. Prevent potential conflicts of interest that may arise in such transactions.
4. Disclose Related Party Transactions in the Financial Statements, Annual Report, and other required filings.

DEFINITIONS

- **"Act"**: The **Companies Act, 2013**, as amended, including rules, guidelines, and clarifications issued thereunder.
- **"Arm's Length Transaction"**: A transaction conducted as if the parties were unrelated, ensuring no conflict of interest.
- **"Audit Committee"**: The committee constituted by the Board under **Section 177** of the Act and **Regulation 18** of the Listing Regulations.
- **"Board"**: The Board of Directors of **KENT R O SYSTEMS LIMITED**
- **"Material Related Party Transaction"**:
 1. A Related Party Transaction, individually, or taken together with previous transactions during a financial year exceeding **₹1,000 crore** or **10% of the Company's annual consolidated turnover as per the last audited financial statements of the Company**, whichever is lower.
 2. For Related Party Transactions involving brand usage or royalty payments, the threshold is **5% of annual consolidated turnover, individually or taken together with the previous transaction(s) during a financial year, as per the last audited financial statements of the Company.**
- **Material Modification** of a Related Party Transaction shall refer to modifications wherein, the value of modification exceeds 10% of the transaction value approved by the Audit Committee.
- **"Ordinary Course of Business"**: Transactions that align with the Company's routine business activities, as detailed in its Memorandum of Association (MOA) or as considered normal commercial practice.
- **"Related Party"**: As defined under:
 1. Section 2(76) of the Companies Act, 2013.
 2. Regulation 2(1)(zb) of the SEBI Listing Regulations.
 3. Indian Accounting Standard (IND AS) 24.
- **"Related Party Transaction"**: As defined under Regulation 2(1)(zc) of the SEBI Listing Regulations and Section 188 of the Companies Act, 2013
- **"Subsidiary"**: A company in which the holding company:



1. Controls the composition of the Board of Directors.
2. Exercises more than half of the total voting power, either alone or with other subsidiaries.

All capitalised terms used in this Policy but not defined herein, shall have the same meaning as defined under the Companies Act, 2013, SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and other applicable laws.

APPLICABILITY

This Policy applies to all Related Party Transactions, including but not limited to:

1. Transactions with the Board of Directors and their relatives.
2. Transactions involving Key Managerial Personnel (KMPs).
3. Transactions with Promoters and members of the Promoter Group.
4. Transactions with Subsidiaries, associates, and joint ventures, if any.

IDENTIFICATION OF RELATED PARTIES AND TRANSACTIONS

1. Identification of Related Parties

- The Company shall identify Related Parties as prescribed under Section 2 (76) of the Act and Section 2 (1) (zb) of the Listing Regulations annually and whenever there is a change in relationships.
- Directors and KMPs must disclose their interest in entities considered as Related Parties at the start of each financial year or whenever there are changes by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as a Related Party with respect to the Company and shall also provide the list of relatives which are regarded as a Related Party as per this Policy. The Board shall record the disclosure of interest. The Directors are also required to provide information regarding their engagement with other entities during the Financial Year which may be regarded as Related Parties according to this Policy.
- The Board of the Company is required to take note of the above disclosure of interest from KMPs and Directors and maintain a database of Related Parties, including their nature of relationship.

2. Identification of Related Party Transactions

- Related Party Transactions will be identified based on:
 1. Provisions under Section 188 of the Companies Act, 2013.
 2. Regulations 2 (1) (zc) and 23 of the Listing Regulations.
- The Company shall determine if the transaction is:
 1. In the Ordinary Course of Business.
 2. Conducted as an Arm’s Length Transaction.

APPROVAL PROCESS FOR RELATED PARTY TRANSACTIONS

1. Approval of the Audit Committee

- All Related Party Transactions and subsequent Material Modifications require prior approval of the Audit Committee.



- A related party transaction to which any Subsidiary of a 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 standalone turnover, as per the last audited financial statements of the Subsidiary.
- Material modifications in the RPTs in which the Company is not a party but a subsidiary of the Company is a party shall require prior approval of the Committee.
- Only Independent Directors on the Audit Committee can approve such transactions.
- **Omnibus Approval:**
 - The Audit Committee may grant omnibus approval for repetitive transactions and the Committee is satisfied that such omnibus approval is in the interest of the Company.
 - Maximum value of RPTs that can be allowed under the omnibus approval route, in a financial year shall not exceed 15% of Turnover on the basis of audited consolidated financial statements of the Company for the preceding financial year.
 - Maximum value per transaction in a financial year shall not exceed 5% of Turnover on the basis of audited consolidated financial statements of the Company for the preceding financial year.
 - RPTs which cannot be foreseen and where the details prescribed in the criteria for seeking omnibus approval are not available, the Committee may grant omnibus approval upto Rs. 1 crore per transaction.
 - 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:

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 rupees one crore per transaction.
 - Omnibus approvals are valid for one year and require quarterly review.
 - Transactions involving the sale or disposal of an undertaking are not eligible for omnibus approval.
 - Prior approval of the Audit Committee shall not be required for a Related Party Transaction to which a listed Subsidiary of the Company is a party, but the Company is not a party, if Regulation 23 and Regulation 15(2) of the Listing Regulations are applicable to such listed Subsidiary.
 - In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

The business reasons for the Company to enter into Related Party Transactions.

The approximate value of the transaction

The general description of the transaction, including the material terms and commercial reasonableness of the terms of the related party transactions

Whether such transaction is in the ordinary course of business

- 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.
 - The materiality of the related party transaction to the Company
 - Whether the Related Party Transaction would affect the independence of an independent director;
 - Where the ratification of the Related Party Transaction is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law;
 - Any other factor the Audit Committee deems relevant for reviewing and approving such Related Party Transaction; and
 - If necessary, the Audit Committee may seek external professional advice in determining whether a transaction is in the ordinary course of business or at Arm's Length basis.
- Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction shall abstain from discussion and voting on such Related Party Transaction.
 - Where any Director is interested in any contract or arrangement with a Related Party, such Director shall abstain be present at the meeting of the Audit Committee during discussions and voting on the subject matter of the resolution relating to such Related Party Transaction.

2. Approval of the Board of Directors

- Related Party Transactions that are:
 1. Not in the **Ordinary Course of Business**, or
 2. Not on **Arm's Length Basis (even if in the Ordinary Course of Business)**, shall require prior approval of the Board.

These transactions includes but is not limited to the following transactions:

- (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 the purchase or sale of goods, materials, services or property;
 - (f) such 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.
- In addition to the above, the following kinds of transactions with Related Parties shall also be placed 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 the Audit Committee's view require Board approval.
- (c) Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.
- (d) All the Material Related Party Transactions and subsequent Material Modifications thereto shall be considered and approved by the Board before the same are considered by the shareholders for their prior approval except for those transactions which are between the Company and its wholly owned Subsidiary or between two wholly-owned Subsidiaries of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Where any Director is interested in any contract or arrangement with a Related Party, such Director shall abstain from voting on the subject matter of the resolution relating to such Related Party Transaction.

Where any contract or arrangement under section 188 of the Companies Act, 2013 is entered into by a Director or any other employee, without obtaining the consent of the Board or the shareholders (as applicable) 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 or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

- The agenda of the Board meeting at which the resolution 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

3. Approval of Shareholders

- **Material Related Party Transactions** and subsequent Material Modifications require prior approval of shareholders through a resolution.
- **Transactions as specified under Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014** require prior approval of shareholders through a resolution, except for transactions in the ordinary course of



business which are not on an Arms' Length basis.

- No shareholder who is a Related Party shall vote to approve such transactions.
- Any Related Party Transaction for which the Audit Committee has granted omnibus approval, shall continue to be placed before the shareholders of the Company if it is or becomes a Material Related Party Transaction.
- The explanatory statement to be annexed to the notice of the shareholders' meeting shall contain the following particulars, namely:-
 - (a) name of the related party;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangements;
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution

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DISCLOSURE AND REPORTING

1. Disclosures in Financial Statements and Annual Report:

- Details of Related Party Transactions shall be disclosed in accordance with **IND AS 24**, Section 188 of the Companies Act, 2013, and Listing Regulations.

2. Stock Exchange Filings:

- Related Party Transactions as required under Regulation 23(9) of the Listing Regulations shall be disclosed to stock exchanges in the prescribed format every six months on the date of publication of its standalone and consolidated financial results.

3. Website Disclosure:

- This Policy and details of Related Party Transactions shall be disclosed on the Company's website.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

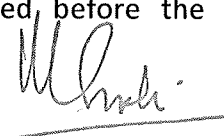
If a Related Party Transaction is identified which has been undertaken without prior approval:

1. The transaction will be reviewed by the Audit Committee.
2. The Audit Committee will evaluate the circumstances and decide on ratification, revision, or termination.
3. If ratification is not approved, the transaction shall be voidable at the option of the Company.

EXCEPTIONS

The following transactions do not require approval under this Policy:

1. Transactions between the Company and its wholly-owned subsidiaries, provided accounts are consolidated and approved by shareholders.
2. Transactions entered into between two wholly-owned Subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.



MATRIX FOR APPROVAL OF RELATED PARTY TRANSACTIONS

Nature of Transaction	Audit Committee Approval	Board Approval	Shareholder Approval
Ordinary course of business and at Arm's Length	Prior Approval Required	Board Noting not Required (Except for Material RPTs and Material Modifications)	Not Required (Except for Material RPTs and Material Modifications)
Not in ordinary course or not at Arm's Length	Prior Approval Required	Required	Required for Material RPTs and Material Modifications
Transactions between a subsidiary and related party (listed entity not a party) exceeding 10% of subsidiary's standalone turnover	Required	Not Required	Required for Material RPTs and Material Modifications

AMENDMENTS TO THE POLICY

The Company is committed to periodically reviewing and updating this Policy in line with changes in laws, regulations, or business practices. Amendments to this Policy shall:

1. Be approved by the Board of Directors.
2. Be disclosed on the Company's website and in the Annual Report.