Policy on Materiality of Related Party Transactions
And
Procedure for dealing with Related Party Transactions
[Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended]
Preamble:

This policy is intended to ensure proper approval and reporting of transactions between The KCP Limited (KCP) and its related parties (RPT).

1. **Objective:**

   Section 188 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 provides the detailed mechanism for dealing with Related Party Transactions of the Company by way of Audit Committee approval, Board approval and Shareholder’s approval in specific circumstances.

   This Policy provides the criteria for determining the materiality of Related Party Transactions.

   The objective of this Policy is to ensure proper approvals & reporting of the transactions between KCP and its Related Parties in compliance of provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and any other applicable statutory provisions for the time being in force, in this regard.

   Pursuant to Regulation 23 of the listing regulations, the company shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

   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 ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity and 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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

   KCP has framed this Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2. **DEFINITIONS:**

1. **Arm’s Length transaction:** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, as defined in Explanation (b) to Section 188 (1) of the Companies Act, 2013.
2. **Associate Company** – As per Section 2(6) of the Companies Act, 2013, 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.

   Explanation — For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

3. **Audit Committee**: means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of Listing agreement and Companies Act, 2013, from time to time.

4. **Board**: means Board of Directors of the company.

5. **Company**: means "The KCP Limited ".

6. **Key Managerial Personnel's (KMPs)** – in relation to a company, means

   (i) the Chief Executive Officer or the managing director or the manager;

   (ii) the company secretary;

   (iii) the whole-time director;

   (iv) the Chief Financial Officer. and

   (v) such other officer as may be prescribed under Companies Act, 2013

7. **Related Party**: An entity shall be considered as related to the Company if:

   (i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or

   (ii) such entity is a related party under the applicable accounting standard(s).

   (i) Related Party under Section 2(76) of the Companies Act, 2013 means:

   - a director or his relative;
   - a key managerial personnel or his relative;
   - a firm, in which a director, manager or his relative is a partner;
   - a private company in which a director or manager or relative is a member or director;
   - a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
   - anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

any company which is—

(a) a holding, subsidiary or an associate company of such company; or

(b) a subsidiary of a holding company to which it is also a subsidiary;

A Director (other than Independent Director) or Key Managerial Personnel (KMP) of the holding company of such company or his relative. The Accounting Standard 18 defines related party as “parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

(ii) The Accounting Standard 18 defines related party as “parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

The Accounting Standard 18 deals only with related party relationships as described below:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;

(c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;

(d) key management personnel and relatives of such personnel; and

(e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

In the context of this Standard, the following are deemed not to be related parties:

- two companies simply because they have a director in common notwithstanding para ii (d) or ii (e) above. a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings.
• (i) Providers of finance; (ii) Trade unions; (iii) Public utilities; (iv) Government departments and government agencies including government sponsored bodies No disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state-controlled enterprises and transactions with such enterprises. State-controlled enterprise means an enterprise which is under the control of the Central Government and/or any State Government(s).

9. **Related Party Transaction**: Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements with a Related Parties with respect to:

   (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 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.

Further, as per SEBI (LODR) Regulations, 2015, “related party transaction” means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. Further, a "transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

10. **Relatives**: In accordance with Section 2 (77) of the Companies Act, 2013 relative means anyone who is related to another, if—

   (i) They are members of a Hindu Undivided Family;
   
   (ii) They are husband and wife; or
   
   (c) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

   (a) Father: Provided that the term “Father” includes step-father.
   
   (b) Mother: Provided that the term “Mother” includes the step-mother.
   
   (c) Son: Provided that the term “Son” includes the step-son.
   
   (d) Son’s wife.
3. MATERIALITY_THRESHOLDS

In accordance with Regulation 23 of Listing Regulations, the Company has formulated this Policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

A transaction with a related party shall be considered material if the transactions to be entered individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company ("Material Related Party Transaction").

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, exceeds 2% of the annual consolidated turnover of the Company as per the last audited financial statements.

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

a) Identification of related parties

- Each Director and Key Managerial Personnel is responsible for providing notice to the Board/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. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

- The Corporate Secretarial team shall at all times maintain a database of the Company’s Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in the Key Definition Section above, along with their personal/Company details, including any revisions therein which should be updated every quarter.

- Audit Committee may determine the procedure to be followed for declaration as well as compilation and circulation of the comprehensive List of Related Parties.

b) Identification of related party transactions
The concerned department / executive of the Company entering into a transaction shall identify related party transactions based on the list of Related Parties identified under (a) above, in accordance with Section 177 and 188 of the Act and Regulation 23 of the Listing Regulations. Thereafter the concerned department entering into the transaction shall establish whether the transaction is at arm’s length and in the ordinary course of business or whether the transaction is Material.

c) Procedure for approval of related party transactions

i. Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee. Any member of the Audit Committee who has a potential interest in any Related Party Transactions will abstain from discussion and voting on the approval of the Related Party Transactions.

In case of a transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

- Omnibus approval of the Audit Committee

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the following conditions:

The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;

➢ The omnibus approval shall provide:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction in aggregate that can be entered into during the year;

(ii) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%); and

(iii) such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which 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;

❖ The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given;
Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

The criteria for granting Omnibus Approval shall include the following:

- The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 25% of the annual consolidated turnover of the company as per last its audited financial statements and maximum value per transaction.

- The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
  
  i. repetitiveness of the transactions (in past or in future);
  
  ii. justification for the need of omnibus approval

Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

1. Transactions which are not at arm’s length or not in the ordinary course of business;
2. Transactions which are not repetitive in nature;
3. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy;
4. Transactions in respect of selling or disposing of the undertaking of the Company;
5. Financial Transactions ex. Loan to related parties, Inter Corporate Deposits, subscriptions to bonds, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
6. Any other transaction the Audit Committee may deem not fit for omnibus approval

ii. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or at arm’s length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary, and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether a Related Party Transaction is in the Ordinary Course of Business and/ or at Arms’ Length.

In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm’s length basis, but which are as per the policy determined by the Board from time to time (i.e. value
threshold and/or other parameters) require Board approval in addition to Audit
Committee approval;

- 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;
- 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.

- Transactions exceeding the materiality thresholds laid down Clause 5 of the Policy, which
are intended to be placed before the shareholders for approval.

Where any Director is interested in any contract or arrangement with a Related Party, such
Director shall not be present at the Meeting during discussions on the subject matter of the
Resolution relating to such contract or arrangement.

The Agenda of the Board Meeting at which the Resolution is proposed to be moved for
approval of the Related Party Transaction shall disclose the following details:

(i) the name of the Related Party and the nature of relationship;
(ii) the nature, duration and particulars of the contract or arrangement;
(iii) the material terms of the contract or arrangement, including the value, if any;
(iv) any advance paid or received for the contract or arrangement, if any;
(v) the manner of determining the pricing and other commercial terms, both included as
part of contract and not considered as part of contract;
(vi) 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
(vii) any other information relevant or important for the Board to take a decision on the
proposed transaction.

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:

- market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
- third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
- management assessment of pricing terms and business justification for the proposed transaction;
- comparative analysis, if any, of other such transaction entered into by the company.

iii. Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, shall be placed before the shareholders for approval.

For this purpose, no entity falling under the definition of related parties shall vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

The requirement for seeking Shareholders approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary(ies) whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm’s length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for its approval.

5. DISCLOSURES

KCP shall disclose, in the Board’s report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm’s length basis along with the justification for entering into such transaction.

In addition to the above, KCP shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

This policy shall also be uploaded on the website of the Company at www.kcp.co.in and a weblink thereto shall be provided in the Annual Report of the Company.

6. RELATED PARTY TRANSACTIONS 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 related party transaction and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction 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 related party transaction 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 related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

7. REVIEW OF THE POLICY

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly based on the recommendations of the Audit Committee.

8. COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the CFO and CS of the Company who shall have the power to ask for any information or clarifications from the management in this regard.