



KELTECH ENERGIES LIMITED
(CIN : L30007KA1977PLC031660)

POLICY ON RELATED PARTY TRANSACTIONS

INTRODUCTION:

This Policy shall be called 'Policy on Related Party Transactions and dealing with Related Parties'.

COMMENCEMENT:

This Policy shall come into effect from 15th December 2015.

POLICY OBJECTIVE:

This Policy is framed in accordance with the requirement of revised Clause 49 of the Listing Agreement (including any amendments thereof) to be effective from 1st October 2014 and is intended to ensure governance and reporting of transactions between the Company and its Related Parties.

DEFINITIONS:

- a. "Related Party Transaction" means transaction in the nature of contract involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged or not under the relevant provisions of the Companies Act, 2013 or the Listing Agreement or any other related law or regulation etc.

As per Section 188 of the Companies Act, 2013, Related party Transactions are:

- (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;

As per Clause 49 of the Listing Agreement, Related party Transactions are:

Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged or not.

- b. **“Related Party”** means an entity under Section 2 (76) of the Companies Act, 2013 and as per Accounting Standards.

(A) Related Party as per Section 2 (76) of the Companies Act, 2013 is as under:

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or their relative is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) 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;
- (vii) 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;

- (viii) any company which is—
 - (i) a holding, subsidiary or an associate company of such company; or
 - (ii) a subsidiary of a holding company to which it is also a subsidiary;

(B) Related Party as per Accounting Standard 18 is as under:

- (i) Enterprises that directly or indirectly control (through subsidiaries) or are controlled by or are under Common control with the reporting enterprise;
- (ii) Associates, Joint Ventures of the reporting entity, investing party or venturer in respect of which reporting enterprise is an associate or a joint venture;
- (iii) Individuals owning voting power giving control or significant influence;
- (iv) Key Management Personnel and their relatives; and
- (v) Enterprises over which any of the persons in (iii) or (iv) are able to exercise significant influence.

- c. **“Relative”** as per Section 2 (77) of the Companies Act, 2013 means with reference to any person, means anyone who is related to another, if
- i. they are members of a Hindu Undivided Family;
 - ii. they are husband and wife; or
 - iii. one person is related to the other in such manner as may be prescribed, which is as follows:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)
- d. **“Material Related Party Transaction”** means a transaction with a Related Party where the transaction / transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten percent of the Consolidated Annual turnover of the Company as per the last audited Financial Statement of the Company.
- e. **“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.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

The Policy is intended to:

- (i) Identify all transactions which fall within the ambit of Related Party Transactions as per the provisions of Clause 49 of the Listing Agreement and the Companies Act, 2013 & Rules made thereunder;
- (ii) Provide necessary disclosures / declaration of Interest from each Director and Key Managerial Personnel to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.
- (iii) The Board to record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Any member of the Committee who has a potential interest in any Related Party Transaction will 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 matters.

The information provided shall specifically cover the following:

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract 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 the 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;
- vii. the persons/authority approving the transaction; and
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.

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:

- i. 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;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors / KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and

- vi. 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.

The Audit Committee may grant Omnibus Approval for the Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i. Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. Audit Committee shall satisfy itself the need for such Omnibus approval and that such approval is in the interest of the Company.
- iii. Such omnibus approval shall specify
 - (a) The name (s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (b) The indicative base price / current contracted price and the formula for variation in the price if any, and
 - (c) 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 Rs.1 crore per transaction.
- iv. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the Omnibus approval given.
- v. Such Omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The Related Party Transactions shall not be applicable to the following cases:

- i. transactions entered into between two government Companies;
- ii. 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.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

All the Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis shall also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

DECISION REGARDING TRANSACTIONS ARE IN ORDINARY COURSE OF BUSINESS AND ARE AT ARM'S LENGTH BASIS:

The Audit Committee or the Board shall, in respect of the Related Party Transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is in the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

MATERIAL RELATED PARTY TRANSACTION:

"Material Related Party Transaction" means a transaction with a Related Party where the transaction / transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten percent of the Consolidated Annual turnover of the Company as per the last audited Financial Statement of the Company.

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 under 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 of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at www.keltechenergies.com.