



Kiri Industries Limited
(CIN-L24231GJ1998PLC034094)
(Related Party Transaction Policy)

(In compliance with Provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement)
(As reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on 10th October, 2014)

I. Introduction

Kiri Industries Limited (**the "Company" or "KIL"**) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are fair and on arm's length basis. The Company has been in compliance with various laws and regulations in this regards so far and ensured that such transactions are in the best interest of the company and shareholders/stakeholders.

The Companies Act, 2013 and the revised Clause 49 of Equity Listing Agreement ("Listing Agreement") have laid down extensive requirements to be fulfilled in case of Related Party Transactions. Additionally, the revised Listing Agreement specifies that the Company is required to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Therefore, the Company hereby seeks to formulate a robust Related Party Transaction Policy dealing with the identification, review and approval of Related Party Transactions and to ensure that all such transactions are in the best interest of the Company and its shareholders/stakeholders.

II. Applicability

The Policy shall be applicable to all Related Party Transactions to be entered into or modification of any Related Party Transactions w.e.f. 1st October, 2014. However, Related Party Transactions entered into and any subsequent modification to any Related Party Transaction from 1st April, 2014 to 30th September, 2014 shall be in compliance with the Provisions of Companies Act, 2013.

III. Scope

This Policy is applicable to all Related Party Transactions as per Companies Act, 2013 and the Listing Agreement. The Policy has been prepared in accordance with the applicable provisions of Companies Act, 2013 and Listing Agreement. Any subsequent amendment/modification in this regards shall automatically apply to this Policy.

IV. Definition

In this Policy, unless the context otherwise requires:

- (a) **"Act"** shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

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- (b) **“Arm’s length basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s length basis, guidance may be taken from provisions of Domestic Transfer Pricing under Income Tax Act, 1961.
- (c) **“Associate Company”**, means any other company, in which the 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 20% of total share capital, or of business decisions under an agreement

- (d) **“Control”** has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. It includes the right to appoint majority of the directors or to control the management or policy decision exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position.

- (e) **“Financial Year”** shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.
- (f) **“holding company”**, in relation to one or more other companies, means a company of which such companies are subsidiary companies;
- (g) **“Office or Place of Profit”** means any office or place—
- i. where such office or place is held by a director, if the director by virtue of such office or place receives anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise from the company;
 - ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate by virtue of such office or place receives anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise from the company;

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- (h) "**Policy**" means this Related Party Transaction Policy of the Company;
- (i) "**Relative**" shall mean "relative" as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under; (i.e. with reference to any person, means anyone who is related to another, if—they are members of a Hindu Undivided Family; they are husband and wife; or one person is related to the other in such manner as may be prescribed);

Rule 4 of the Companies (Specification of definitions details) Rules, 2014: A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

(1) Father (including step-father); (2) Mother (including the step-mother); (3) Son (including the step-son); (4) Son's wife; (5) Daughter; (6) Daughter's husband; (7) Brother (including the step-brother) (8) Sister (including the step-sister)

- (j) "**Related Party/ies**" shall have the meaning as ascribed to it/ them as per provision V of the Policy.
- (k) "**Related Party Transactions**" shall have the meaning as ascribed to them as per provision VI of the Policy.
- (l) "**Significant RPT**" shall have the meaning as ascribed to them as per provision VII of the Policy.
- (m) "**Special Resolution**" a resolution shall be a special resolution when—
- a. The intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;
 - b. The notice required under the Act has been duly given; and
 - c. The votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled to do so, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.
- (n) "**Subsidiary Company**" or "**Subsidiary**", in relation to any other company (that is to say the holding company), means a company in which the holding company—

- i. controls the composition of the Board of Directors; or
 - ii. exercises or controls more than one-half of the total share capital either on its own or together with one or more of its subsidiary companies. A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company. The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors.
- (o) "**Material RPT**" shall have the meaning as ascribed to them as per Point V (b) of the Policy.
- (p) "**Kiri Group**" means Kiri Industries Limited, its subsidiary companies and associate companies.

Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and/or Listing Agreement.

V. Identification of Related Parties

'**Related party**' is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions *and* includes the following:

1. A person or a close member of that person's family is related to the Company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013; means-
 - (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 is a member or director; (v) 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; (vi) any body 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:

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Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given by such persons in a professional capacity;

(viii) 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;

(ix) such other person as may be prescribed;

Rule 3 of the Companies (Specification of definitions details) Rules, 2014 provides that a director (other than an Independent Director) or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

b. has control or joint control or significant influence over the Company; or

c. is a key managerial personnel of the Company or of the Holding Company; or

2. An entity is related to the Company if any of the following conditions applies:

a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or

b. The entity is a member of the Kiri Group (which means that each holding, subsidiary and fellow subsidiary is related to the others); or

c. The entity is an associate or joint venture of the Company (or an associate or joint venture of a member of Kiri Group); or

d. Any post-employment benefit plan for the benefit of employees of either the company or an entity related to the Company; or

e. The entity is controlled or jointly controlled by a person identified in (1); or

f. A person identified in (1)(b) has significant influence over the entity (or of the Holding Company of that entity);

VI. Related Party Transaction

A related party transaction ("RPT") is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged whether by way of any contract, arrangement or otherwise.

VII. Types of Related Party Transaction

a. **Significant RPT** shall mean any of the following transactions (entered into by the company with any of its Related Parties) which are either not in the ordinary course of business or not on an arm's length basis:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- underwriting the subscription of any securities or derivatives thereof, of the Company. Thus, any of the above transactions which are in ordinary course of business and on arm's length basis shall not be considered as Significant RPT.

This is as per Section 188 of the Act as applicable to KIL currently. Any subsequent amendment/modification in this regards shall automatically apply to this Policy.

b. **Material RPT** shall mean such transactions with a related party which, when entered into individually, or taken together with previous transactions, during a financial year, exceeds:

- i. 5% of the annual turnover as per the audited financial statements of the company of the preceding Financial Year or;
- ii. 20% of the net worth of the company as per the audited financial statements of the company of the preceding Financial Year, whichever is higher.

This is as per provisions of the Listing Agreement. Any subsequent amendment/modification in this regards shall automatically apply to this Policy. .

c. **Other RPT** shall mean any other Related Party Transaction which are not included in (a) and (b) above.

VIII. Review and Approval Process

The following provisions lay down the procedure for review and approval of various types of Related Party Transactions:

a. Significant RPT

I. Review and Approval by Audit Committee

(A) New Transactions

- i. The Agenda for the Audit Committee Meeting (at which Significant RPTs are to be placed) shall contain a statement of Significant Related Party Transactions for its consideration and approval, prior to the Company entering into such transaction.
- ii. The Audit Committee shall consider and if thought fit, approve the Significant RPT and recommend the same to the Board for its approval subject to prior approval of Shareholders if any, by means of a Special Resolution. Such approval of Audit Committee may be obtained only at a duly convened meeting where the Audit committee members may participate either in person or through video conferencing or other audio visual means.

(B) Modification to RPT

Process as stated above for New Significant RPT shall be followed for subsequent modification to Significant RPT entered into by the Company.

II. Review and Approval by the Board of Directors

(A) New Transactions

- i. The Agenda for the Board Meeting (at which Significant RPTs are to be placed) shall disclose the items as stated in Annexure 1 of this policy along with justification for entering into such RPT.
- ii. Where any director is interested in any Significant RPT, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement
- iii. The Board shall consider and if thought fit, approve the Significant RPT recommended by the Audit Committee and further recommend the same to the Shareholders for their prior approval if any by means of a Special Resolution. Such

an approval of Board has to be obtained at a duly convened meeting of the Board where the Directors may participate either in person or through video conferencing or other audio visual means.

(B) Modification to RPT

Process as stated above for New Significant RPT shall be followed for subsequent modification to Significant RPT entered into by the Company.

III. Review and Approval by the Shareholders

(A) New Transactions

- i. Significant RPT approved by the Board shall require prior approval of Shareholders of the Company by way of special resolution.
- ii. Any member who is a Related Party with reference to or in the context of the Significant RPT for which the said Special Resolution is being passed shall not be allowed to vote for such resolution.
- iii. Where the Significant RPT is between the Company and its wholly-owned subsidiary, a special resolution by the shareholders of the Company shall be sufficient approval for entering into such transaction.
- iv. A Copy of every special resolution passed by Shareholders in relation to RPT and together with the explanatory statement, annexed to the notice calling the meeting in which the resolution is proposed, shall be filed with the Registrar of Companies within thirty days of the passing or making thereof in such manner as specified under section 403 of the Act.

(B) Modification to RPT

Process as stated above, for New Significant RPT shall be followed for subsequent modification to Significant RPT entered into by the Company. Where any Significant RPT is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting 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 and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Without prejudice to the foregoing provisions, it shall be open to the Company to proceed against a director or any other employee who had entered into such RPT

incontravention of the provisions of this section for recovery of any loss sustained by it as a result of such RPT.

b. Material RPT

I. Review and Approval by Audit Committee

(A) New Transactions

- i. The Agenda for the Audit Committee Meeting (at which Material RPTs are to be placed) shall contain a statement of Material Related Party Transactions for its consideration and approval, prior to the Company entering into such transaction.
- ii. The Audit Committee shall consider and if thought fit, approve the Material RPT and recommend the same to the Board for its approval subject to prior approval of Shareholders by means of a Special Resolution. Such approval of Audit Committee may be obtained only at a duly convened meeting where the Audit committee members may participate either in person or through video conferencing or other audiovisual means.

(B) Modification to RPT

Process as stated above for New Material RPT shall be followed for subsequent modification to Material RPT entered into by the Company.

II. Review and Approval by the Board of Directors

(A) New Transactions

- i. The Agenda for the Board Meeting (at which Material RPTs are to be placed) shall disclose the items as stated in Annexure 1.
- ii. Where any director is interested in Material RPT, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such RPT.
- ii. The Board shall consider and if thought fit, approve the Material RPT recommended by the Audit Committee and further recommend the same to the Shareholders for their prior approval by means of a Special Resolution. Such an approval of Board has to be obtained at a duly convened meeting of the Board where the Directors may participate either in person or through video conferencing, other audio visual means or through any other permissible means.

(B) Modification to RPT

Process as stated for New Material RPT shall be followed for subsequent modification to Material RPT entered into by the Company.

III. Review and Approval by the Shareholders

(A) New Transactions

- i. Material RPT approved by the Board shall require prior approval of Shareholders of the Company by way of special resolution.
- ii. Any member who is a Related Party shall not be allowed to vote for such resolution.
- iii. Where the RPT is between the Company and its wholly-owned subsidiary, a special resolution by the shareholders of the Company shall be sufficient approval for entering into the transaction.
- iv. A Copy of every special resolution passed by Shareholders in relation to RPT and together with the explanatory statement, annexed to the notice calling the meeting in which the resolution is proposed, shall be filed with the Registrar within thirty days of the passing or making thereof in such manner and as specified under section 403 of the Act.

(B) Modification to RPT

Process as stated above for New Material RPT shall be followed for subsequent modification to Material RPT entered into by the Company.

c. Other RPT

I. Review and Approval by Audit Committee

(A) New Transactions

- i. The Agenda for the Audit Committee Meeting (at which Material RPTs are to be placed) shall contain a statement of Other Related Party Transactions for its consideration and approval, prior to the Company entering into such transaction.
- ii. The Audit Committee shall consider and if thought fit, approve the other RPT. Such approval of Audit Committee may be obtained by way of circular resolution or at a duly convened meeting where the Audit committee members may participate either in person or through video conferencing or other audio visual means. The Audit Committee, in case it deems fit, may direct the Company to include any of the Other RPT in the list of Significant RPT for Board and the procedure as stated in VII (a) shall apply to such transaction.

(B) Modification to RPT

Process as stated for New Other RPT shall be followed for subsequent modification to Other RPT entered into by the Company.

IX. General Principles

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- iii. The Audit Committee shall have the following powers with respect to RPT:
 - To seek information from any employee.
 - To obtain outside legal or other professional advice.
 - To secure attendance of outsiders with relevant expertise, if it considers necessary
 - To investigate any RPT.
- iv. The CFO of the Company is authorised to issue necessary guidelines for implementation of this Policy.
- v. The Company while entering into any RPT, shall ensure that such RPT is in the best interest of the Company and adheres to this Policy. All relevant facts and circumstances available, including but not limited to the following, shall be considered:
 - a. The benefits to the Company by entering into such RPT;
 - b. The extent of the Related Party's interest;
 - c. The availability of other sources of comparable products or services;
 - d. The extent to which the terms of the RPTs are less favourable than terms generally available in non-related transactions under like circumstances;
 - e. The aggregate value of the RPT; and
 - f. The impact on a Director's independence if the RPT is entered into with an Independent Director or a relative of such Director.

XI. Disclosure Requirement

- i. Significant RPT are to be disclosed in Board's Report along with justification for entering into such RPT.
- ii. Details of all Material RPT shall be disclosed quarterly to the Stock Exchanges along with the compliance report on corporate governance that may have potential conflict with the interests of company at large.
- iii. The Company shall disclose the Policy on its website and also in the Annual Report.

XII. Review Periodicity

The Company shall review the Policy every two years unless such revision is necessitated earlier.

ANNEXURE 1

Items for Board Meeting Agenda:

- 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.

ANNEXURE 2

Items for Explanatory Statement to be annexed to Notice of a General Meeting:

- 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 arrangement;
- e) any other information relevant or important for the members to take a decision on the proposed resolution.

Place: Ahmedabad
Date: 10.10.2014

For Kiri Industries Limited

**Sd/-
Pravin Kiri
Chairman**

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