



KCL INFRA PROJECTS LIMITED

Regd. Office: 402, Radhakrishnan Apartment, Vijay Homes,
Bangladesh Naka, Bhayandar (West), Thane-401101, Maharashtra
E-mail: kclindia@yahoo.co.in; CIN: L45201MH1995PLC167630

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

1. PREAMBLE

The changes introduced in the Corporate Governance norms through the Companies Act, 2013 and the revised clause 49 of the listing agreement require the companies to have enhanced transparency and due process for approval of the Related Party Transactions.

The Board of Directors of the KCI Infra Projects Limited has adopted this policy and procedures for dealing with Related Party Transactions, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there under and any subsequent amendments thereto (the "Act") and Listing Agreement, as may be amended from time to time, with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

2. OBJECTIVE

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

One such requirement is that the companies are required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

This policy is intended to ensure proper approval and reporting of transactions as applicable, between the Company and any of its directors, officers or certain entities or persons related to them, in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

Further, the Board may amend this policy from time to time as may be required. The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions and recommend to the Board any amendment / modification to the Policy, as and when required..



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3. DEFINITIONS

“**Act**” means Companies Act, 2013 & rules made there under.

"**Arms 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.

“**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;

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Agreement with the Stock Exchanges and The Companies Act, 2013.

"**Board of Directors**" or "**Board**" means the Board of Directors of KCL Infra Projects Limited, as constituted from time to time.

“**Company**” means KCL Infra Projects Limited.

"**Control**" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

"**Key Managerial Personnel**" means key managerial personnel as defined under the Companies Act, 2013, and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence,
- (ii) whole-time director;
- (iii) Company Secretary; and
- (iv) Chief Financial Officer



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"Material Related Party Transaction" means a transaction with a related party if the transaction / transactions 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 company as per the last audited financial statements of the company.

"Policy" means Policy on materiality of Related Party Transactions and dealing with Related Party Transactions, as amended from time to time.

"Related Party" means related party as defined under the Companies Act 2013 and in Clause 49 of the Listing Agreement which is as follows:

Section 2(76) of the Companies Act, 2013

"Related party", with reference to a company, 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 or 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:
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—
 - 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;

For the purpose of sub clause (IX) of clause 76 of section 2 of the Act, a director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be related party.



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Clause 49 of Listing Agreement

For the purpose of Clause 49 (VII), an entity shall be considered as related to the company if:

- I. such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- II. such entity is a related party under the applicable accounting standards.

"Relative" means with reference to any person, means anyone who is related to another, if—

- a) They are members of a Hindu undivided family;
- b) They are husband and wife ; or
- c) Father (including step-father)
- d) Mother (including step-mother)
- e) Son (including step-son)
- f) Son's wife
- g) Daughter
- h) Daughter's husband
- i) Brother (including step-brother)
- j) Sister (including step-sister)

“Related Party Transaction” means any transaction or arrangement in which the Company and Related Party are contracting parties either directly or indirectly with respect to the items specified in Section 188(1)(a) to (g) of the Act and which involves transfer of resources, services or obligations between a Company and a Related Party, regardless of whether a price is charged.

A “transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

Words and expressions used and not defined in this Policy, but defined in the Act or any Rules framed there under or the Securities and Exchange Board of India Act, 1992 and Rules and Regulations framed there under or in the Clause 49 of the Equity Listing Agreement or the Accounting Standards shall have the meanings assigned to them in these regulations.

4. TRANSACTIONS COVERED BY THIS POLICY



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As per Companies Act, 2013, Transactions covered by this Policy include any contract or arrangement with a related party 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.

Provided also that nothing in this sub-section shall apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.

As per Listing Agreement, Related Party Transaction covers transfer of resources, services or obligations between the Company and a related party (hereinafter referred to as "Specific Transactions"), regardless of whether a price is charged.

Explanation: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

Further, Transaction arising out of compromises arrangements and amalgamations will not be in the ambit of this Policy.

5. GOVERNANCE FRAMEWORK

A. Disclosure by Directors

Every director shall at the beginning of the financial year provide information 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 related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy.



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B. Identification of Transaction with related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

C. Arm's length evaluation

The Act or Rules framed there under or Clause 49, require that the transactions between Related Parties be conducted at Arm's length. However, Arm's length transaction has been defined under Explanation (b) of Section 188 of the Act as the transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

In the absence of any guidance, Transfer pricing guidelines under the Income Tax Act, 1961, may be used for determining the appropriate method for determining arm's length price.

There may be certain transactions which do not need an arm's length evaluation or documentation under the Income-tax Act 1961. In such cases also, it is considered appropriate if the principles of Transfer pricing guidelines under the Income Tax Act, 1961 are used.

In situations, where it is not appropriate to determine the arm's length price through the methods prescribed by the Income-tax Act, 1961, reliance can be placed on expert valuation obtained from an external agency.

D. Approval of the Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:



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- a. The 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.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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 Rs.1 crore per transaction.
- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. 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 approval of the Audit Committee can be granted by way of circular resolution subject to the provisions of the Act. Any such approval must be ratified by the Audit Committee / Board at its next meeting.

Further, the Audit Committee / Board may seek external professional opinion, if required.

E. 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 and at arm's length basis, are placed before the Board for its approval.

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



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- a) 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;
- b) 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;
- c) 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.

F. Prior Approval of Shareholders for Related Party Transactions

Transactions with Related Party, which are in the ordinary course of business and at arm's length basis, do not require shareholders' approval in terms of Section 188 of the Act, however in absence of similar exemption in Clause 49 all kinds of transactions specified under Section 188 of the Act though in the ordinary course of business and at arm's length basis and exceeding the thresholds laid down under the Act and Clause 49, as amended from time to time, shall be placed before the shareholders for their approval by way of a Special Resolution.

All kinds of transactions specified under Section 188 of the Act, which (a) are not in the ordinary course of business and / or at arm's length basis; or (b) exceed the thresholds laid down under the Act which are mentioned in below, shall be placed before the shareholders for their approval by way of a Special Resolution.

1. having a paid-up share capital of ten crore rupees or more, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a special resolution:
2. a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into—
 - a. as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below—



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- i. sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding twenty five percent of the annual turnover as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - ii. selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of net worth as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - iii. leasing of property of any kind exceeding ten percent of the net worth or exceeding ten percent of turnover as mentioned in clause (c) of sub-section (1) of section 188;
 - iv. availing or rendering of any services directly or through appointment of agents exceeding ten percent of the net worth as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;
- b. appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- c. remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The Turnover or Net Worth referred in the above sub-rules shall be on the basis of the Audited Financial Statement of the preceding Financial year.

3. In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.
4. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of Companies Act, 2013 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 arrangement;



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Provided further that no member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Clause 49 (VII) (E) of the Equity Listing Agreement provides that all material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

Provided that sub-clause 49 (VII) (D) and (E) shall not be applicable in 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.

Explanation (i): For the purpose of Clause 49(VII), "Government Company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation (ii): For the purpose of Clause 49(VII), all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

G. 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, 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 but not limiting to ratification, revision or termination of such Related Party Transaction.



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6. DISCLOSURE

- i. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- ii. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report

7. INTERPRETATION

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI Act or Rules and Regulations made there under, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company.

Note: The above Policy is approved and adopted in the meeting of the Board of Directors held on 9th August, 2014.

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