

S H KELKAR AND COMPANY LIMITED
POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH
RELATED PARTY TRANSACTIONS

1. Introduction:

The Board of Directors of the Company has adopted this Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions (the "Policy") in line with the requirements of Section 177 (iv) and 188 of the Companies Act, 2013 read with Rules framed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations").

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Act and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

2. Objective:

This Policy is intended to ensure due and timely identification, approval, disclosure reporting and transparency of transactions between Company and any of its Related Parties in the best interest of the Company and the stakeholders and in compliance with the applicable laws and regulations, as may be amended from time to time.

3. Definitions:

- i) "**Act**" means the Companies Act 2013 and the rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- ii) "**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 Transfer Pricing under Income Tax Act, 1961.
- iii) "**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 purpose of this clause, "**significant influence**" means Control of at-least twenty percent of total share capital or of business decisions under an agreement.

- iv) "**Audit Committee**" means the Committee of Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Act.
- v) "**Board of Directors**" or "**Board**", in relation to a Company, means the collective body of the directors of the company constituted from time to time under the provisions of the Act.
- vi) "**Company**" means S H Kelkar and Company Limited.
- vii) "**Key Managerial Personnel**", in relation to a company, means:
 - a) the Chief Executive Officer or the Managing Director or the Manager;
 - b) the Whole-Time Director;
 - c) the Chief Financial Officer
 - d) the Company Secretary; and
 - e) such other officer as may be prescribed.

The above definition is an exhaustive definition but point number (e) gives the power to the legislature to include some other personnel also within the definition of Key Managerial Personnel as may be deemed fit by them from time to time.

- viii) **“Material Related Party Transaction”** - a transaction with a related party shall be termed as Material Related Party Transaction 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 Company as per the last audited financial statements of the Company.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be termed as Material Related Party Transaction 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 Company as per the last audited financial statements of the Company.

- ix) **“Related Party”** means a person or an entity:
- a) which is related party under section 2(76) of the Companies Act 2013; or
 - b) which is a related party under the applicable accounting standards.

Related party under section 2(76) of the Companies Act 2013 and rules made thereunder are as follows:

- a) director or his relative;
- b) a key managerial personnel or his relative;
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager or his relative is a member or director;
- e) a public company in which a director or manager is a director or holds along with his relatives, more than 2% of its paid-up share capital;
- f) 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;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act; Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;
- h) 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;
- i) such other persons as may be prescribed

Related party as per Accounting Standard 18:

- 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 venturer 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.

Further, any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a Related Party.

- x) **“Related Party Transaction”** means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged.
- xi) **“Relative”** means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –
 - a) Members of a Hindu undivided family;
 - b) Husband or wife;
 - 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); or
 - j) Sister (including step-sister).
- xii) **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.
- xiii) The terms **Director, Chief Financial Officer, Company Secretary**, shall have the same meaning as assigned under the Act.

4. Identification of related party transactions/potential related party transactions:

- i) It shall be the responsibility of all directors and key managerial personnel and senior management to bring to the attention of the Audit Committee/ Board, as the case may be, any related party transaction/ potential related party transaction.
- ii) The intimation that a transaction is, or may be regarded as a related party transaction, should be sent as early as is practicable to ensure that the same is placed before the Audit Committee/ Board, as the case may be, at the earliest possible meeting.

5. Factors to be considered by the Board/Audit Committee in approving a related party transaction:

While considering any related party transaction, the Board/Audit Committee will take into account all relevant facts and circumstances:

- i) Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- ii) The 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 includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction;
- iv) Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company.
- v) Subsequent events (i.e. events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, the benefits to the Company and to the Related Party and any other relevant matters.
- vi) While determining the materiality of a related party transaction, regard shall be had to the applicable provisions of law.

6. Approval of Related Party Transactions:

A) By the Audit Committee:

- i) All related party transactions, except those with any wholly owned subsidiary whose accounts are consolidated with that of the Company and are placed before the shareholders at the general meeting for approval, shall require prior approval of the Audit Committee, whether at a meeting or by way of a circular resolution.
- ii) The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company, except those with any wholly owned subsidiary whose accounts are consolidated with that of the Company and are placed before the shareholders at the general meeting for approval, subject to the conditions stated in the Listing Regulations.
- iii) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- iv) 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 approvals given.
- v) In case any transactions other than transactions referred to in Section 188 of the Act are not approved by the Audit Committee, the Audit Committee shall make its recommendations to the Board.

B) By the Board of Directors:

- i) Transactions with the related parties which are either not in the ordinary course of business or are not at Arm's Length basis shall require prior approval of the Board.
- ii) Disclosure of interest by a director is required pursuant to Section 184 of the Companies Act, 2013.

C) By the Shareholders:

- i) All Material Related Party Transactions, except those with any wholly owned subsidiary whose accounts are consolidated with that of the Company and are placed before the shareholders at the general meeting for approval, shall require approval of the shareholders through ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not, provided that the requirements specified under this sub-clause shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- ii) Transactions with Related Parties, other than Material Related Party Transactions and/or transactions with any wholly owned subsidiary whose accounts are consolidated with that of the Company and are placed before the shareholders at the general meeting for approval, which are either not in the ordinary course of business or are not at Arm's Length basis and exceed the threshold prescribed under Section 188 of the Act and the Rules framed thereunder, amended from time to time, shall also require prior approval of the shareholders through ordinary resolution and the related parties shall not vote to approve the relevant transaction.

D) Exceptional cases:

- i) In exceptional cases where a prior approval is not taken due to an inadvertent omission or unforeseen circumstances, such transactions will be placed as promptly as practicable before the Committee/Board/ Shareholders as may be required in accordance with this Policy for review and ratification.
- ii) The Audit Committee/Board/Shareholders will consider all relevant facts and circumstances respecting such transaction and will evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction and the Company will take

such action as the Audit Committee deems appropriate under the circumstances. In case a related party transaction has consummated but the approval of the Audit Committee/Board/Shareholders, as the case may be, has not been taken either within 3 months from the date of contract, the contract will be voidable at the option of the Audit Committee/Board/Shareholders, as the case may be.

E) Approval matrix with thresholds:

Contracts/Arrangements	Ceiling on the amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions in the ordinary course of business and on arm's length basis	Up to 10% of the annual Consolidated turnover of the Company	√	-	-
	In excess of above limits	√	√	√ (Related party to the transaction shall abstain from voting)
Transactions either not in the ordinary course of business or arm's length basis				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent		√	√	√* (Transaction amounting to 10% or more of the turnover of the Company or Rs. 100 crore, whichever is lower)
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent		√	√	√* (Transaction amounting to 10% or more of the net worth of the Company or Rs. 100 crore, whichever is lower)
Leasing of property of any kind		√	√	√* (Transaction amounting to 10% or more of the turnover of the Company or Rs. 100 crore, whichever is lower)
Availing or rendering of any services, directly or through appointment of an agent		√	√	√* (Transaction amounting to 10% or more of the turnover of the Company or Rs. 50 crore, whichever is lower)
Appointment of any office or place of profit in the Company, its subsidiary company or associate company		√	√	√* (Monthly remuneration exceeding two and half lakh rupees)

Underwriting the subscription of any securities or derivatives thereof, of the Company		√	√	√* (Remuneration exceeding 1% of the net worth of the Company)
Payments made with respect to brand usage or royalty		√	√	√* (Transaction exceeding 2% of Annual Consolidated Turnover of the Company)
<i>For transactions that are not on arm's length basis</i>				
Any other transaction with the related parties resulting in transfer of resources, obligations or services		√	√	√* Transaction exceeding 10% of the annual consolidated turnover of the Company
* Note: In case of shareholders' approval for such transactions, related parties that are parties to the contract shall abstain from voting				

7. Disclosure:

- i) The Policy shall be disclosed on the website of the Company and a web link of the same will be provided in the Annual Report.
- ii) Related Party Transactions entered into by the Company will be referred to in the Board's report to the shareholders. The Chief Financial Officer will be, responsible for such disclosure.
- iii) The Company shall make disclosures in compliance with the Accounting Standard on Related Party Disclosures.
- iv) The Company Secretary will also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.
- v) Materially significant related party transactions that may have potential conflict with the interests of Company at large, shall be disclosed in the Corporate Governance Report of the Annual Report.
- vi) Disclosure by interested directors shall have same meaning as given in Section 184 of the Act and- every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into:
 - a) with a body corporate in which such director or such director in association with any other director, holds more than 2% shareholding of that body corporate, or
 - b) with a body corporate in which such director is a promoter, manager, Chief Executive Officer of that body corporate; or
 - c) with a firm or other entity in which, such director is a partner, owner or member, as the case may be;

will disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed.

Where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- vii) Such further disclosure of the related party transactions shall be made as may be prescribed by the Act or the Listing Regulations or any other regulatory authority or statute from time to time in such format as may be prescribed.
- viii) The disclosure in respect of related party transactions on a consolidated basis in the format specified in the relevant accounting standards for annual results shall be submitted to the Stock Exchanges within 30 days from the date of publication of the standalone and consolidated

financial results of the Company for the half year (commencing from half year ended March 31, 2019) and the same shall also be published on the website of the Company.

8. Policy Ownership:

The policy awareness and maintenance ownership will rest with the Chief Financial Officer with oversight by the Audit Committee.

9. Review:

This Policy shall be reviewed by the Board at least once in every three financial years. While doing so, the Board shall take into consideration the recommendations, if any, of the Audit Committee. In case of any amendment(s), clarification(s), circular(s) etc. issued in relation to the Companies Act, 2013 or the Listing Regulations, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder till the time the Policy is suitably amended.