

# KLG CAPITAL SERVICES LIMITED

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

### LEGAL FRAMEWORK

This Policy is framed by the Board of Directors of KLG Capital Services Limited in accordance with the requirement of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), and also to comply with the provisions of the Companies Act, 2013.

This policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties in the best interest of the Company and its stakeholders and in compliance with the laws and regulations applicable from time to time.

### DEFINITIONS

1. **"Act"** means Companies Act, 2013 & rules made thereunder, including any modifications, clarifications, amendments, circulars or re-enactment thereof.
2. **"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.
3. **"Audit Committee"** means the committee formed under Section 177 of the Companies Act, 2013 and Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').
4. **"Board of Directors"** or **"Board"** means the Board of Directors of the Company, as constituted from time to time.
5. **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
6. **"Key Managerial Personnel"** 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;

7. **“Office or place of profit”** means any office or place—

- (i) where such office or place is held by a director, if the director holding it receives from the company 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;
- (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 holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

8. **“Ordinary course of business”** means a transaction which is:

- (i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
- (ii) historical practice with a pattern of frequency;
- (iii) common commercial practice; or
- (iv) meets any other parameters / criteria as decided by the Board/Audit Committee.

9. **“Policy”** means this Policy, as may be amended from time to time.

10. As per 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 or his relatives 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) 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 body corporate 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; (c) an investing Company or the Venturer of the Company;
- ix) such other person as may be prescribed;

As per Rule 3 of the Companies (Specification of definitions details) Rules, 2014, 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.

As per Regulation 2(1)(zb) of the Listing Regulations, 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.

11. **“Related Party Transactions”** covered under section 188(1) of the Act includes:

Any contract or arrangement 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:

As per Regulation 2(1)(zc) of the Listing Regulations, a related party transaction is a 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.

12. **“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if:-

- i) They are members of a Hindu undivided family
- ii) They are husband and wife ; or
- iii) Father: Provided that the term “Father” includes step-father
- iv) Mother: Provided that the term “Mother” includes the step-mother
- v) Son: Provided that the term “Son” includes the step-son
- vi) Son’s wife
- vii) Daughter
- viii) Daughter’s husband
- ix) Brother: Provided that the term “Brother” includes the step-brother
- x) Sister: Provided that the term “Sister” includes the step-sister.

## **APPLICABILITY**

This Policy shall be applicable to all the Related Party Transactions entered into by the Company except the following transactions relating to:

1. Loans/advances given/taken to/from a related party.
2. Guarantee given/taken or security provided/sought in connection with a loan to a related party/Company.
3. Investment(s) made in related party.
4. Transfer/assignment of obligation under an existing contract/arrangement with a related party to some other person or related party.
5. Amendment/Cancellation of an existing contract/arrangement with a related party.

## **DISCLOSURE OF INTEREST**

Every Director shall at the first meeting of the Board of the Company in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms or other association of individuals, by giving a notice in writing in Form MBP-1 (as per Annexure I). It shall be the duty of the director giving notice of interest to cause it to be disclosed at the meeting held immediately after the date of the notice.

The Directors shall also provide the following information to Company on an annual basis:

1. Names of his/her Relatives (as per Annexure II);
2. Partnership firms in which his / her Relative is a partner;
3. Private Companies in which his / her Relative is a Member or Director;
4. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his/her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he/she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Further, the Manager, if any, of the Company shall provide the following information to Company on an annual basis:

1. Names of his/her Relatives;
2. Partnership firms in which he/she or his / her Relative is a partner;
3. Private Companies in which he/she or his / her Relative is a member or Director;
4. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;

5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his/her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he/she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Directors and Manager will also be responsible to update any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

Further, the Key Managerial Personnel (other than those covered hereinabove) shall provide their list of relatives (as per Annexure II) on an annual basis and also update in case of any change.

## **DEALING WITH RELATED PARTY TRANSACTIONS:**

### **Approval of Audit Committee:**

1. All Related Party Transactions or changes therein must be referred for prior approval by the Audit Committee, whether at a Meeting or by resolutions by circulation or through video conferencing or other audio visual means.
2. While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction i.e., whether the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis; the business purpose of the transaction, the benefits to the Company and to the Related Party, any potential reputational risks and any other relevant matters. The Committee shall also evaluate that 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, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, 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 Committee deems relevant.
3. While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that 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, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.
4. The Audit Committee will evaluate the Related Party Transaction and if the Committee determines that the a related party transaction (i) should be placed before the Board or (ii)

is a Material Related Party Transaction or (iii) is not in the ordinary course of business or not at the arm's length price or (iv) is required to be mandatorily approved by the Board under any law, the committee shall place the matter before the Board for obtaining its approval.

5. Any Member of the Committee who is interested in any contract or arrangement with a related party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
6. If a Related Party Transactions are frequent/regular/repetitive in nature, the Audit Committee may lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company.
7. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
8. The 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;

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/amended. Any proposed variations/amendments to these factors shall require a prior approval of the Committee.

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.

9. 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. Further, the Audit Committee shall on an annual basis review and assess Omnibus resolutions including the limits to ensure that they are in compliance with this Policy.
10. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.

#### **Approval of Board:**

1. The agenda of the Board meeting at which the resolution for approval of Related Party Transaction is proposed to be moved shall disclose-
  - (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.
2. Every director 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 with any of the related parties will be considered as interested for the proposed contract/arrangement and shall not have right to vote on the resolution or participate during the discussion on the said agenda item.
  3. In the event that 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.
  4. If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to the Listing Regulations, Companies Act, 2013 and any other applicable law, the same shall be put up for approval by the shareholders of the Company.

### **Approval of Shareholders:**

The following transactions would require prior approval of shareholders:

1. Where the transaction or transactions to be entered into as contracts or arrangements with respect to-
  - i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees one hundred crore, whichever is lower, 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 agent, exceeding ten per cent of net worth of the company or rupees one hundred crore, whichever is lower, 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 per cent of the net worth of the company or ten per cent of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation—It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

2. Where the transaction or transactions to be entered into is for 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 subsection of section 188;
3. Where the transaction or transactions to be entered into is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

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

(iii) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:—

- (1) name of the related party;
- (2) name of the director or key managerial personnel who is related, if any;
- (3) nature of relationship;
- (4) nature, material terms, monetary value and particulars of the contract or arrangement;
- (5) any other information relevant or important for the members to take a decision on the proposed resolution.”

4. All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length basis, shall require the prior approval of the shareholders through resolution.

#### **Miscellaneous:**

1. In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified by the Audit Committee under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee in accordance with this Policy for review and ratification.



2. If prior approval of the Board / Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction be ratified by the Board / Shareholders, as required, within 3 months of entering in the Related Party Transaction.
3. In any case where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Audit Committee / Board / Shareholders and if it is not ratified 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 this, it shall be open to the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.
4. Any director or any other employee of a Company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.
5. Any contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after April 1, 2014, the requirements under section 188 will have to be complied with.
6. The Audit Committee/Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ ratify/ recommend to the shareholders, the Related Party Transaction only if the Audit Committee/Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee/ Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

#### **VOTING BY RELATED PARTIES**

1. In case where Related Party Transaction does not fall within the ambit of Regulation 23 of the Listing Regulations; only the concerned Related Parties shall abstain from voting.
2. In case of any other Related Party Transaction, which falls within the ambit of Regulation 23 of the Listing Regulation, 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.

### **MATERIALITY OF RELATED PARTY TRANSACTIONS**

1. The transaction with a related party shall be considered material 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. However, transactions entered into by the Company in its ordinary course of business on an arm's length basis shall not be considered as Material Transactions.
2. All material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

### **TRANSACTIONS WITH RELATED PARTIES WHICH ARE IN ORDINARY COURSE OF BUSINESS/ ON ARM'S LENGTH**

1. Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.
2. Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be ensured that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

### **FEW EXEMPTIONS**

1. Transactions entered into by the Company in its ordinary course of business on an arm's length basis.
2. The transaction entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
3. Professional services not within the purview of section 188.
4. Transactions arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Companies Act, 1956/Companies Act, 2013.

## **DISCLOSURES**

1. The necessary entries be made in the Register of Contracts required to be maintained under section 189 of the Companies Act, 2013.
2. Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.
3. The Company shall disclose the contract or arrangements, which are not in the ordinary course of business or arm's length basis, entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.
4. As per the Listing Regulations, the Policy on dealing with Related Party Transactions shall be disclosed on the website of the Company ([http://www.klgcapital.com./](http://www.klgcapital.com/)) and a web link thereto shall be provided in the Annual Report of the Company.

## **MISCELLANEOUS**

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

## **AMENDMENT**

Any subsequent amendment/modification in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Regulations and/or other applicable laws in this regard shall automatically apply to this Policy.

The Board of Directors, on its own and / or as per the recommendation of Audit Committee, can amend this Policy, as and when deemed fit.

**FORM MBP - 1****Notice of interest by director**

[Pursuant to section 184 (1) and rule 9(1)]

To

**The Board of Directors****KLG Capital Services Limited**

SKIL House,

209, Bank Street Cross Lane,

Fort, Mumbai – 400 023

Dear Sir(s),

I, \_\_\_\_\_, son of \_\_\_\_\_, resident of \_\_\_\_\_, being a Director in the Company hereby give notice of my interest or concern in the following company or companies, bodies corporate, firms or other association of individuals:-

<b>Sl. No.</b>	<b>Names of the Companies/Bodies Corporate/Firms/Association of Individuals</b>	<b>Nature of interest or concern / Change in interest or concern</b>	<b>Share-holding</b>	<b>Date on which interest or concern arose/changed</b>
1.				
2.				
3.				

**Place:****Date:****Signature:****MD/Director/Secretary/Whole time Director**

**LIST OF RELATIVES**

[Pursuant to Sec. 2 (77) of the Companies Act, 2013 read with the Rules thereto]

1.	Spouse	
2.	Father ( including step Father )	
3.	Mother ( including step Mother )	
4.	Sons ( including step Son )	
5.	Sons' Wife	
6.	Daughter	
7.	Daughters' Husband	
8.	Brother (including step Brother)	
9.	Sisters (including step Sister)	
10.	Member of Hindu Undivided Family (HUF)	

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