

# POLICY FOR CONSIDERATION AND APPROVAL OF RELATED PARTY TRANSACTIONS

## **PREAMBLE :**

The Board of Directors (the "Board") of Kavit Industries Limited (the "Company") has adopted Policy on Related Party in compliance with the requirements of Section 188 of the Companies Act, 2013 read with Clause 49 of the Listing Agreement.

In view of the notification of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "Listing Regulations") in place of Listing Agreement and certain changes notified in the relevant Rules of Companies Act, this Policy has been reviewed by the Audit Committee.

This reviewed Policy has been adopted by the Board of Directors of the Company. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

## **ABOUT THE COMPANY:**

The Kavit Industries Limited was originally incorporated with the name Jal Hi Power Petrochem Ltd, a public limited company and got listed at BSE in 1992. The name of the company was later on changed to Atreya Petrochem Limited on 21st September 2000. During the financial year, the Company has again changed its name to Kavit Industries Limited with the compliance of applicable provisions of Companies Act and SEBI Act.

Kavit Industries Limited was established in the year 1990. Kavit Industries Limited was established to manufacture various petrochemical downstream products such as specially oils, petroleum sulphates, solvents, etc. for industrial applications such as rubber, leather, ink and paint industries. Company market and sell their products under the Brand "Ecrol Lubricants".

## **OBJECTIVE:**

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

## **DEFINITIONS:**

### **Act:**

Act means the Companies Act, 2013 including any amendment or modification or re-enactment thereof.

### **Arm's Length Transaction:**

"Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated.

**Associate:**

“Associate” means a company as defined under Section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”

**Audit Committee:**

“Audit Committee” means the Committee of the Board formed under Section 177 of the Act and Clause 49 (III) of the Listing Agreement.

**Body Corporate:**

“Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.

**Clause 49:**

“Clause 49” means the Clause 49 of the Listing Agreement, as entered into by the Company with the stock exchanges including any amendment or modification thereof.

**Company:**

“Company” means Kavita Industries Limited.

**Director:**

“Director” means a person as defined in Section 2(34) of the Companies Act, 2013.

**Employees:**

“Employees” shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.

**Key Managerial Personnel:**

“Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2 (51) of the Companies Act, 2013 and rules prescribed thereunder.

**Material related party Transactions:**

“Material Related Party Transactions” shall mean a transaction as defined as material in Clause 49 (VII) (C) of the Listing Agreement or any other law or regulation including any amendment or modification thereof, as may be applicable.

**Ordinary course of business:**

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association of the Company.

**Related Party**

“Related Party” have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and includes the following:

- (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) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is –
  - (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;

### **Related Party Transaction**

“Related Party Transaction” have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –

- 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 the 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;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees. (The above is an indicative list and not an exhaustive one).

### **Relative**

“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).

### **Transaction**

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

The terms Director, Chief Financial Officer, Company Secretary, shall have the same meaning as assigned under the Companies Act, 2013.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

**MATERIALITY THRESHOLDS:**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. However, for transactions entered between the company and its 100% subsidiary whose accounts are consolidated with the company, the related parties are entitled to vote on such transactions. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

**POLICY:**

The Audit Committee shall review and approve all Related Party Transactions based on this Policy. All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

**REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION:**

All Related Party Transactions (except transactions entered with between the company and its 100% subsidiary whose accounts are consolidated with the company) shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

**CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS:**

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- a. 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;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and

d. Whether the Related Party Transaction would affect the independence or present a material 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.

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.

**APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE:**

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

**APPROVAL BY THE BOARD:**

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

**STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE:**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. 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. Further, the Committee shall on an annual basis or such period as it may deem fit review and assess such transactions.

**APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS:**

All Material Related Party Transactions shall require approval of the shareholders through Special Resolution in accordance with the laws.

**TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH:**

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 shall also require the prior approval of the shareholders through Special Resolution and the Related Parties shall abstain from voting on such Resolution.

**RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:**

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

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

**DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS:**

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders as per laws.

**SCOPE LIMITATION:**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such SEBI Regulations / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

**DISSEMINATION OF POLICY:**

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the Annual Report of the Company.

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