

KAY POWER AND PAPER LIMITED

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

The Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions has been framed in accordance with the applicable provisions of Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended.

APPLICABILITY

This Policy shall be applicable to Related Party Transactions between Kay Power and Paper Limited and its Related Parties.

DEFINITIONS

- a) **"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.
- b) **"Board of Directors"** or "Board" means the collective body of the Directors of the Company.
- c) **"Company"** means Kay Power and Paper Limited.
- d) **"Government Company"** means a government company as defined under sub-section (45) of section 2 the Companies Act, 2013.
- e) **"Material Related Party Transactions"**: a 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 1000 crore or ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.

Further, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

"Material Modifications": Material Modifications of Related Party Transaction in relation to the Company means and include any modification to an existing related party transaction having variance of 30% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

t) **"Policy"** means Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions of the Company.

g) **"Related Party"** means as defined under:

- A. Section 2 (76) of the Companies Act, 2013; or
- B. the applicable accounting standards

Also:

(a) any person or entity forming a part of the promoter or promoter group of the Company; or

(b) any person or any entity, holding equity shares:

(i) of twenty per cent or more; or

(ii) often per cent or more, (w.e.f April I, 2023);

in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year;

shall be deemed to be a related party.

A. As per Section 2 (76) of the Companies Act 2013 and rules made thereunder, Related Party, with reference to a company, has been defined as-

- (i) A director or his relative;
- (ii) 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 relative 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 percent 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;
- (c) an investing company or the venture of the Company

Explanation: Investing Company or the venture of the Company means a body corporate whose investment in the company would result in the company becoming an associate company of that body corporate.

- (ix) a director other than an independent director or key managerial personnel of the holding company or his relative
- (x) such other person as may be prescribed.

B. Related Parties under the applicable *Indian Accounting Standard (IND AS) 24* are as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- Note:
- i. For further details reference may be made to IND AS-24 'Related Party Disclosures'
 - ii. Any subsequent modification/announcement/accounting standard/interpretation issued in this regard shall be deemed to be automatically incorporated and may be referred.
 - iii. The Compliance requirements under the said IND AS 24 do not fall within the scope of this Policy.

h) **"Related Party Transactions" (RPT):** Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements 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.

Further, as per SEBI (LODR) regulations, 2015, it means a transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries,(w.e.f. April 1, 2023);

regardless, of whether a 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.

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.

i) **"Relatives"** means as defined under Section 2 (77) of the Companies Act, 2013 and rules prescribed there under:

With reference to any person, means anyone who is related to another, if-

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person as:
 - (a) Father (including step- father)
 - (b) Mother (including step- mother)
 - (c) Son (including step- son)
 - (d) Son's wife
 - (e) Daughter
 - (f) Daughter's husband
 - (g) Brother (including step- brother)
 - (h) Sister (including step- sister)

All the words and expressions used in this Policy, unless defined herein, shall have meaning respectively assigned to them under the Companies Act, 2013 and the Rules, Notifications and Circulars made/ issued thereunder, Listing Regulations and applicable Accounting Standard(s) as amended, from time to time.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

A. Approval of the Audit Committee

I. Prior approval of Audit Committee of the Company shall be required for:

- I. All Related Party Transactions and subsequent material modifications
2. A Related Party Transaction to which the subsidiary of Kay Power and Paper Limited is a party but Kay Power and Paper Limited is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds:
 - 10% of the annual consolidated turnover as per the last audited financial statements of the Company.
 - 10% of the annual standalone turnover as per the last audited financial statements of the subsidiary, w.e.f. 1st April 2023.

However, prior approval of the audit committee of the Company shall not be required if regulation 23 and 15(2) of SEBI (LODR) regulations are applicable to such listed subsidiary. Further, for related party transactions of unlisted subsidiaries of such listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.

Further, approval of audit committee shall not be required if the transaction is entered into between Kay Power and Paper Limited and Kay Power and Paper Limited's wholly owned subsidiary whose accounts are consolidated with Kay Power and Paper Limited and placed before the shareholders at the general meeting for approval and is other than a transaction referred to in Section 188 of the Companies Act, 2013.

- II. In case of a transaction, other than transaction referred to in Section 188, and where the Audit Committee does not approve the transaction, it shall make its recommendations to the Board.
- III. The members of the audit committee, who are Independent Directors, shall only approve the related party transactions

- IV. The following information shall be included in the Agenda Note for review of the audit committee for approval of a proposed RPT:
- a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction (particular tenure shall be specified);
 - d. Value of the proposed transaction;
 - e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - o nature of indebtedness;
 - o cost of funds; and
 - o tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - g. Justification as to why the RPT is in the interest of the Company;

- h. A copy of the valuation or other external party report, if any such report has been relied upon;
 - i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - j. Any other information that may be relevant
- V. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- VI. Further, the Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company.
 - i. The criteria to be considered by the Audit Committee of Directors for granting omnibus approval includes the following:-
 - a) The Audit Committee shall satisfy itself **regarding the justification and need** for omnibus approval and ensure that such approval is in the **interest of the Company**;
 - b) The omnibus approval shall be applicable in respect of transactions which are **repetitive in nature**;
 - c) The transactions are proposed to be entered in the ordinary course of business and at arm's length. While assessing a proposal, the Audit Committee may seek justification/documents in order to determine if the transaction is in the ordinary course of business and at arm's length or not.
 - d) The maximum aggregate value of transactions which can be approved under omnibus route in a year, shall not exceed ten percent of the turnover of the Company for the immediately preceding financial year;
 - e) The maximum value per transaction which can be allowed shall not exceed two percent of the turnover of the Company for the immediately preceding financial year;
 - f) Omnibus Approval shall not be applicable for transaction in respect of selling or disposing of the undertaking of the Company or any other transaction as the Audit Committee deems necessary, to be falling outside the scope of omnibus approval.
 - g) 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 approval given.
 - ii. The omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
 - iii. The approval shall specify the following:
 - a) Name(s) of the related party.
 - b) Nature of transaction.
 - c) Period of transaction.
 - d) Maximum amount of transaction that can be entered into
 - e) The indicative base price/current contracted price and the formula for variation in the price, if any.

- f) Any other condition as the Audit Committee may deem fit

Provided that where the need for the Related Party Transactions cannot be foreseen and complete details as at a) to e) above are not available, the Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding **₹** crore per transaction.

VI. B. Approval of Board of Directors

- I. Prior approval of Board of Directors of the Company, by means of passing a resolution at a meeting of the Board shall be required for:

- (a) All Related Party Transactions except Related Party Transactions in the ordinary course of business and at arm's length basis.

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

- (b) Recommendations of the Audit Committee for all transaction, other than transaction referred to in Section 188, and where the Audit Committee does not approve the transaction,
- (c) Related Party Transactions, requiring the approval of the shareholders,

- II. The agenda of the Board meeting seeking approval of RPT 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.

- III Where any Director is interested in any Related Party Transaction, such Director will abstain from discussion and voting on the resolution relating to such transaction.

C. Approval of Shareholders

- I. Prior approval of shareholders of the Company by means of an ordinary resolution shall be required and be submitted together with recommendations of the Board, to Kay Power and Paper Limited shareholders for:

- i) All Material Related Party Transactions and subsequent material modifications and
- ii) Related Party Transactions which are not at arm's length or not in the ordinary course of business and are beyond the following limits prescribed under rule 15(3) of the Companies (Meetings of Board & its Powers) Rules, 2014,

(a)	sale, purchase or supply of any goods or materials, directly or through appointment of agent;	Amounting to 10% or more of the turnover of the company
(b)	selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent;	Amounting to 10% or more of the net worth of the company
(c)	leasing of property of any kind;	Amounting to 10% or more of the turnover of the company
(d)	availing or rendering of any services, directly or through appointment of agent;	Amounting to 10% or more of the turnover of the company
(The limits shall apply for transaction or transactions to be entered into individually or taken together with the previous transactions during a FY)		
(e)	such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding R s. 2.5 lakh per month
(t)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth of the company

(The turnover or net worth shall be computed on the basis of the annual audited financial statements of the company of the preceding financial year.)

- II. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:
- III. However, approval of shareholders shall not be required for the following related party transactions:
 - i) where the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice

- ii) 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.
 - iii) Between two government companies;
 - iv) between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- IV. The explanatory statement to be annexed to the notice of a general meeting seeking approval of RPT from shareholders 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;
 - (e) A summary of the information provided to the audit committee/Board of Directors
 - (f) Justification for why the proposed transaction is in the interest of the Company;
 - (g) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details provided to Audit committee except the disclosure regarding source of funds and cost of funds (as not applicable to Kay Power and Paper Limited).
 - (h) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - (i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
 - G) any other information relevant or important for the members to take a decision on the proposed resolution.

DISCLOSURES

The concerned units shall on a quarterly and half yearly and annual basis, prepare a summary of all related party transactions entered into during the quarter, half year and annual basis (SEBI specified format for half yearly and annual basis) at Annexure I and submit the same, along with the copy of requisite approvals obtained, to Company Secretary within 7 days from the close of each quarter, half year and annual basis.

All disclosures pertaining to Related Party Transactions required under the Companies Act and Listing Regulations shall be made accordingly.

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 in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

LIMITATION

In the event of any amendment/modification in the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules or in case of a conflict between the provisions of this Policy and of the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, then, the provisions of the Companies Act, 2013 and Rules made thereunder/ Listing Regulations or other statutory enactments, rules, as the case may be, shall prevail over this Policy and shall be adhered to accordingly by all concerned.

POLICY REVIEW

This policy may be reviewed by the Board of Directors at least once in every three years.

Notes:

1. The details in this format are required to be provided for all transactions undertaken during the reporting period. However, opening and closing balances, including commitments, to be disclosed for existing related party transactions even if there is no new related party transaction during the reporting period.
2. Where a transaction is undertaken between members of the consolidated entity (between the Company and its subsidiary or between subsidiaries), it may be reported once.
3. Listed banks shall not be required to provide the disclosures with respect to related party transactions involving loans, inter corporate deposits, advances or investments made or given by the listed banks.
4. For companies with financial year ending March 31, this information has to be provided for six months ended September 30 and six months ended March 31. Companies with financial years ending in other months, the six months period shall apply accordingly.
5. Each type of related party transaction (for e.g. sale of goods/services, purchase of goods/services or whether it involves a loan, inter-corporate deposit, advance or investment) with a single party shall be disclosed separately and there should be no clubbing or netting of transactions of same type. However, transactions with the same counterparty of the same type may be aggregated for the reporting period.. For instance, sale transactions with the same party may be aggregated for the reporting period and purchase transactions may also be disclosed in a similar manner. There should be no netting off for sale and purchase transactions. Similarly, loans advanced to and received from the same counter party should be disclosed separately, without any netting off.
6. In case of a multi-year related party transaction:
 - a. The aggregate value of such related party transaction as approved by the audit committee shall be disclosed in the column "Value of the related party transaction as approved by the audit committee".
 - b. The value of the related party transaction undertaken in the reporting period shall be reported in the column "Value of related party transaction during the reporting period".
7. "Cost" refers to the cost of borrowed funds for the Company.
8. PAN will not be displayed on the website of the Stock Exchange(s).
9. Transactions such as acceptance of rupee deposits by banks/NBFCs, undertaken with related parties, at the terms uniformly applicable /offered to all shareholders/ public shall also be reported.