

RELATED PARTY TRANSACTION POLICY

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and all its Related Parties based on the applicable laws and regulations applicable to the Company.

This Policy will be applicable to the Company with effect from *01st October, 2014* to regulate transactions between the Company and its Related Parties based on the applicable Laws and regulations.

This policy is framed as per the requirements of Clause 49 of the Listing Agreement and also to comply with the provisions of Section 188 of the Companies Act, 2013 and to ensure for proper governance, approval and reporting of transactions between the Company and its Related Parties. The transactions with related parties shall be entered into only if they are in the best interest of the Company and its shareholders.

Definitions:-

“**Act**” shall mean the Companies Act, 2013 and the Rules made thereunder, including the modifications, amendments, clarifications, circulars or re-enactment thereof.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company.

“**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 of the company having such influence and includes a joint venture company.

Explanation.—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

“**Board**” means Board of Directors of the Company.

“**Company**” means Kilitch Drugs (India) Limited.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes –

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

“**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 Related Party Transaction Policy.

“Related Party” means a Person or Entity:

- (i) Which is a related Party under section 2(76) of the Companies Act, 2013; or
- (ii) Which is a related Party under the applicable Accounting Standards;

(a) Related party under Section 2(76) of the Companies Act, 2013 includes:

- (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 under 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) Director or key managerial personnel of the holding company or his relative with reference to a Company.

(x) Such other persons as may be prescribed by the Central Government.

(b) such entity is a related party under the applicable Accounting standards.

“Related Party Transaction” means any transaction directly or indirectly involving any Related Party and includes the following:

As per Section 188 of the Act:

- (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 Clause 49:

(a) Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

“**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. One person is related to the other:
 - 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)

The list of related parties as on 1st October, 2014 will be circulated to all operational employees and other concerned persons of the Company (including the employees from the Finance Department) along with the policy. Thereafter, the list of related parties will be given annually and will be reviewed on a quarterly basis and any changes will be communicated to all stakeholders for compliance by the Secretarial Department.

Policy:-

All Related Party Transactions must be reported to the Audit Committee and referred for approval to the Committee in accordance with this Policy.

All Related Party Transactions shall be placed before the Board for information. The approval of the Board and shareholders will be taken for all related party transactions, *wherever required*, under the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement as amended from time to time.

Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, in the format as per Annexure – 1 including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Finance Department shall ensure that no related party transactions are processed without the approval of the Audit Committee and it shall be duty of the Finance Department to communicate all related party transactions in advance to the compliance officer / company secretary to enable to take requisite approvals.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

Review and Approval of Related Party Transactions

Audit Committee:-

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at the meeting or by resolution by Circulation. 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:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the 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. 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;
- d. Audit Committee shall review, 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 Related Party Transactions under omnibus approval granted by Audit Committee will be referred to the next regularly scheduled meeting of Audit Committee for review and approval.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain himself or herself from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the terms of the Contract, the benefits to the Company and to the Related Party and any other relevant matters and /or prescribed under the Companies Act, 2013 and Rules thereunder, and the Listing Agreement with the Stock Exchange.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and the terms would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper 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, Managing Director / Whole-time Director or other Related Party, the direct or indirect nature of the director's, 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 Board/Committee deems relevant.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iii Any transaction that involves reimbursement of expenses between the related parties through debit note/credit note at actual without any markup except for taxes that may be levied as per statutory requirements.
- iv Transactions entered into between a holding company and its wholly owned subsidiary company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has the sole authority to modify or waive any procedural requirements of this Policy.

Board:-

If the Committee determines that a Related Party Transaction should be placed before the Board for review and approval, or if the Board in any case decides 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 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.

Shareholders:-

All the material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Party/ies with whom transaction is to be entered shall abstain from voting on such resolution.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through special resolution if so required under any law and the Related Parties shall abstain from voting on such resolution.

Material Related Party Transactions

A transaction with a Related Party shall be considered material if the Transaction/s to be entered into individually or taken together with previous transactions during the Financial Year exceeds ten percent of the Consolidated annual turnover as per the last audited financial statements of the Company.

Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, 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 ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action it deems appropriate.

General Principles

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- iii. The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - To seek information from any employee;
 - To obtain outside legal or other professional advice;
 - To secure attendance of outsiders with relevant expertise, if it considers necessary;
 - To investigate any Related Party Transaction.

- iv. The Company Secretary/ Compliance Officer of the Company is authorised to issue necessary guidelines / instructions for implementation of this Policy.
- v. The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

Amendments in the Law

Any subsequent amendment/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.

Amendments to the Policy:

The Audit committee will review the Policy from time to time based on the related party transactions and recommend to the Board to make suitable modifications in the policy, as may be necessary. The Audit Committee shall have the sole powers and take necessary action in case of any difficulty in implementing this policy.
