

Kanoria Chemicals & Industries Limited

Policy on Related Party Transactions

1. Introduction

Kanoria Chemicals & Industries Limited ("the Company") is committed and has always adhered to good corporate governance practices which are embodied in its every business decision. As its practice, the Company follows arm's length basis in business transactions with its related parties which are in the ordinary course of business.

The erstwhile Listing Agreement with the stock exchanges required the Company to formulate a policy on the materiality of Related Party Transactions and also on its dealings with Related Party Transactions. As such, the Board of Directors (the "Board") of the Company adopted this Policy on Related Party Transactions ("the Policy"), on the recommendation of the Audit Committee on 1st November, 2014, to ensure that the transactions of the Company with its related parties are in accordance with the applicable laws.

In view of the amendments in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and the Companies Act, 2013 ("Act"), the Board of Directors, on the recommendation of the Audit Committee, has amended this Policy on 21st May 2025.

The Policy includes materiality thresholds and the manner of dealing with Related Party Transactions in compliance with the provisions of Section 188 of the Companies Act, 2013 and Rules thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended. The Policy is intended to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties.

This Policy applies to transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

2. Definitions

"Act" means the Companies Act, 2013 and the Rules made thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

"Applicable Law" means the Companies Act, 2013 and the rules made thereunder, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Indian Accounting Standards (including any modifications and re-enactments thereof) and includes any other statute, law, standards, circulars, regulations or other governmental instruction relating to Related Party Transactions applicable on the Company and is in effect from time to time.

"Arm's Length Transaction" means a transaction between related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length price, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961.

"Audit Committee" or "Committee" means the Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 read with Regulation 18 of Listing Regulations.

"Board of Directors" or "Board" means the Board of Directors of the Company.

"Company" or "KCIL" means Kanoria Chemicals & Industries Limited.

"Compliance Officer" means the Company Secretary of the Company or such compliance officer as identified by the Board for the purpose of the Listing Regulations.

"Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011.

"Key Managerial Personnel" or "KMP" means the Key Managerial Personnel of the Company in terms of the Act.

"Listing Agreement" means Listing Agreement entered into by the Company with the Stock Exchange(s).

"Listing Regulations" means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"Material Related Party Transaction" under

A. **Listing Regulations**, means:

- a. any transaction to be entered into with a Related Party shall be considered material, if the transaction to be entered into individually or taken together with previous Related Party Transactions during a financial year, exceeds Rs. 1000 Crore (Rupees One Thousand Crore) or 10 (ten) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or such threshold as may be laid down from time to time by the Applicable Law;
- b. a transaction involving payments made to Related Party with respect to brand usage or royalty, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding 5 (five) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. (if any)

B. **Act** means:

transactions as defined under Section 188(1) of the Act by the Company with Related Parties as defined under Section 2(76) of the Act where the aggregate value of the transaction/ transactions to be entered into individually or taken together with previous transaction during a financial year, exceeds the limit as prescribed under rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 from time to time.

"Material modification(s)" shall mean modification in the terms and conditions of the Related Party Transaction(s) already approved by the Audit Committee / Board of Directors /the Shareholders, as the case may be, making a variation in the value of the transaction by 25% or Rs. 1.00 Crore whichever is more, hence, it will require prior approval of Audit Committee/Board of Directors/shareholders.

"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 & Article of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

"Policy" means this Policy including amendments, if any, from time to time.

"Related Party" means and includes any person or entity:

- a. who/ which is a related party as defined under Section 2(76) of the Act; or
- b. who/ which is a related party under Regulation 2(1)(zb) of the Listing Regulations;
- c. who/ which is a related party under the applicable Indian Accounting Standards, as amended from time to time.

"Related Party Transaction" means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity 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 listed entity or any of its subsidiaries, with effect from 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 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.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- (e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

“Relative” means a relative as defined under the Act.

“Transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

All other terms not defined herein shall take their meaning from the Applicable Law.

3. Policy Statement

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

4. Identification of potential Related Party Transactions

The holding, subsidiaries, associate companies, Directors, KMPs of KCIL and other individuals/entities as may be prescribed from time to time under the Applicable Law shall be considered as Related Parties. Any subsidiary of the holding company of KCIL shall also be considered a Related Party.

Each Director and Key Managerial Personnel of the Company shall at the beginning of financial year disclose to the Compliance Officer of the Company their Related Parties and disclose any changes thereto and shall also provide the list of Relatives which are regarded as Related Party as per this Policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this policy.

5. Review and approval of Related Party Transactions

Related Party Transactions shall require approval as follows-

a) Audit Committee

All the Related Party Transactions shall be subject to prior approval of the Audit Committee, unless the approval is exempted pursuant to the provisions of applicable law. Prior approval of the Audit Committee of the Company shall also be required in the following instances:

- a. a related party transaction to which the subsidiary of the Company is a party but the Company 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 annual consolidated turnover, as per the last audited financial statements of the Company; and

- b. a related party transaction to which the subsidiary of the Company is a party but the Company 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 standalone turnover, as per the last audited financial statements of the subsidiary, with effect from April 1, 2023.

However, such prior approval as mentioned under clause (a) and (b) as aforesaid shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and regulation 15(2) of the Listing 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 audit committee of the listed subsidiary shall suffice.

No approval of Audit Committee of the Company is required where transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

The following transactions also do not require approval:

- (i) the transactions entered into 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
- (ii) Payment of remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not Material Related Party Transaction
- (iii) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

In cases where prior approval is not obtained, the members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee: Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

Omnibus Approval by the Committee:

For ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals to the transactions which are repetitive in nature and are in the ordinary course of business and satisfy the Arm's Length basis at the last meeting every preceding financial year and such approvals shall be valid till the conclusion of the immediately following financial year only. This shall not be applicable to transactions for which omnibus approval of either the board or shareholders has already been sought. Omnibus approvals shall be granted based on the following:

- a. Frequency of the transactions in last 3 (three) year.
- b. Volumes of transactions undertaken with such related party. The maximum value of the transactions, per related party, shall not exceed the following-
 - i) The threshold limits prescribed under Rule 15(3) of Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time, in case the Related Party Transactions falls under transactions specified under section 188(1) of the Act or
 - ii) 10% of annual consolidated turnover of the Company, whichever is lower.

Notwithstanding anything contained in the foregoing sub-clauses(i) and (ii), in case of transactions with a wholly owned subsidiary, the maximum value of the transactions, (per transaction or in aggregate) shall be determined on the basis of past trends and quantum of transactions to be entered with such wholly-owned subsidiary in each financial year.

- c. Such omnibus approval shall specify the following:
 - i) The name(s) of the related party, nature of transactions, period of transactions, maximum amount of transactions that can be entered into;
 - ii) The indicative base price or current contracted price and the formula for variation in price, if any;
 - iii) The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and
 - iv) Such other conditions as the Audit Committee may deem fit;
 - v) Where the need/ purpose of the transactions to be entered into with Related Parties cannot be foreseen and details related to name of the party, nature of transactions, maximum amount of transaction, indicative base price/ current contracted price and the formula for variation in the price and such other parameters as may be laid down by audit committee, are not available at the time of taking such approval, the omnibus approval for such transactions shall be granted subject to their value not exceeding Rs. 1 crore per transaction (Unforeseen Transactions). Further, such transactions shall be reported to the Audit Committee quarterly.
 - vi) Where the Audit Committee has granted omnibus approval for certain transactions, the details of related party transactions entered into by the Company and its subsidiary company pursuant to each of the omnibus approvals given shall be reviewed by the Audit Committee on a quarterly basis.

b) Board of Directors

All the contracts/ arrangements prescribed under Section 188(1) of the Act and within the threshold limits prescribed under Rule 15(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, which are not in the ordinary course of business of the Company or not on arm's length basis shall, in addition to the recommendation to of the Audit Committee, shall also require approval of the Board of Directors of the Company.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter then the Board shall consider and approve the Related Party Transaction and the same considerations as set forth above for review and approval of related party transactions by the Audit Committee shall apply to the review and approval of the matter by the Board of Directors, with such modifications as may be necessary or appropriate under the circumstances.

Any member of the Board who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

c) Shareholders

All Material Related Party Transactions and any material modifications thereto, under the Listing Regulations shall require prior 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.

The Related Party Transactions prescribed under Section 188(1) of the Act, , exceeding the threshold limits prescribed under Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014 and which are not in the ordinary course of business or not on arm's length basis, shall require prior approval of the shareholders by a resolution and the Related Party/ies, with

whom the transaction is to be entered shall not vote on such resolution to approve such transaction.

To facilitate review of a Related Party Transaction, shareholders shall be provided with necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions prescribed under the Listing Regulations.

However, the approval of the shareholders for transactions as above shall not apply if the same is entered into with wholly owned subsidiaries whose accounts are consolidated with the Company and for the transactions entered into 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.

d) Ratification of Related Party Transactions

Ratification by Audit Committee:

In the event, the Company becomes aware of any Related Party Transaction 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 transactions within a period of three months from the date of entering into such a 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 system, and shall take any such actions 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 deemed 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 the Policy.

Ratification by the Board/ Shareholders

In a case where the aforesaid transaction has been ratified by the audit committee, the same shall also be required to be ratified by the board in case where the same is not in the ordinary course or at arm's length. Furthermore, if the said transaction is a material related party transaction, then the same will also be required to be placed before the shareholders for their approval.

6. Disclosures

Disclosures in respect of Related Party Transactions, Material Related Party Transactions, agreements, arrangements, contracts and Policy will be made in accordance with the Applicable Law (as amended from time to time).

The Company shall disclose this Policy on its website and also provide web link to the same in the Annual Report of the Company.

7. Amendments

This Policy will be reviewed by the Board of Directors at least once every three years and updated accordingly. Any subsequent amendments/modifications in the Listing Regulations or the Act or Applicable Law in this regard shall automatically apply to this Policy.

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Date: 21st May 2025

Sd/-
R. V. Kanoria
Chairman & Managing Director