



POLICY ON RELATED PARTY TRANSACTIONS



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I. SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and the SEBI Regulations, KLJ Resources Limited (“KRL” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Also, SEBI Regulations require a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In light of the above, KRL has framed this Policy on Related Party Transactions (“Policy”).

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.

II. DEFINITIONS

“**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.

“**Audit Committee**” means the Committee of the Board formed under Section 177 of the Act and SEBI Regulations.

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

“**Key Managerial Personnel**” (“KMP”) includes

- I. The Managing Director;
- II. The Company Secretary;
- III. The Chief Financial Officer

“**Ordinary course of business**” means the usual transactions, customs and practices undertaken by



the Company to conduct its business operations and activities and include all such activities which the Company can undertake as per its Memorandum & Articles of Association.

“**Related Party**”, with reference to a Company, shall have the same meaning as defined in Section 2 (76) of the Companies Act, 2013 and SEBI Regulations.

“**Related Party Transaction**” means-

- For the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- For the purpose of SEBI Regulations, any transaction involving any Related Party which tantamounts to transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged or not.

A “**transaction**” with a related party shall be construed to include a single transaction or a series of transactions resulting into a contract or arrangement.

“**Policy**” means Related Party Transaction Policy.

III. SPECIFIED RELATED PARTY TRANSACTIONS REQUIRING SHAREHOLDERS APPROVAL

➤ As per SEBI Regulations

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.

Explanation: 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 a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

➤ As per Companies Act 2013

All Related Party Transactions exceeding the following thresholds as provided in Section 188 of the Companies Act 2013 read with relevant rules issued thereunder shall require prior approval of Shareholders by way of a resolution.

a) Contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188,



with criteria as mention below-

i) Sale, Purchase or Supply of any goods or material, directly or through appointment of an agent, amounting to ten percent or more 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 of the Companies Act, 2013.

(ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of an agent, amounting to ten percent or more 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 of the Companies Act 2013.

(iii) Leasing of property of any kind amounting to ten percent or more of the turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of Section 188 of the Companies Act 2013.

(iv) Availing or rendering of any services, directly or through appointment of an agent, amounting to ten percent or more 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 of the Companies Act 2013.

b) 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 a half lakh rupees as mentioned in clause (f) of sub-section (1) of Section 188 of Companies Act 2013.

(c) For remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of Section 188 of the Companies Act 2013.

Explanation: Clauses (a) to (g) of sub-section (1) of section 188 of the Companies Act 2013.

(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:

IV. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and as required by SEBI Regulations.

b) Identification of related party transactions

The Company shall identify all related party transactions in accordance with Section 188 of the Act and SEBI Regulations and post identification determine whether the transaction is in the ordinary course of business and at arm's length basis or not and for this purpose, the Company may seek external professional opinion, if necessary.

c) Procedures for review and approval of Related Party Transactions (RPT)

- a) All Related Party Transactions or changes therein must be reported by the Chief Financial Officer/Head of Accounts Department, to the Compliance Officer and referred for prior approval by the Audit Committee in accordance with this Policy.
- b) The Audit Committee will undertake an evaluation of the Related Party Transaction(s). If that evaluation indicates that the Related Party Transaction(s) would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction(s), together with a summary of material facts, to the Board for its approval. However Related Party Transactions at arm's length and in the ordinary course of business need not to be approved by the Board.
- c) 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 Companies Act, 2013 and relevant rules made thereunder, the same shall be put up for prior approval by the shareholders of the Company.

Further, all Material Related Party Transactions as per SEBI Regulations shall require approval of the shareholders through a resolution and 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.

- d) If prior approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.
- e) In any case where either the Audit Committee/ Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification.
- f) No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee/ Board as the case may be.
- g) The Audit Committee shall grant the omnibus approval(s) for transactions which are repetitive in nature in accordance with the provisions of Companies Act 2013 read with relevant rules issued thereunder and SEBI Regulations and may provide additional disclosure requirements as it may deem fit.
 - ✓ The Audit Committee shall satisfy itself about the need for such omnibus approval(s) and that such approval(s) is in the interest of the Company.



- ✓ The omnibus approval(s) shall specify (i) the name/s of the related party, nature of transaction(s), period of transaction(s), maximum amount of transaction(s) 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. Provided, that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit committee may grant omnibus approval(s) for such transactions subject to their value not exceeding Rs.1 Crore per transaction.
- ✓ Thereafter, the Audit Committee, shall review atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- ✓ The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

h) In addition, the Audit Committee/ the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.

i) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

d) 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 Committee. The 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 appropriate action(s), it deems fit



and proper.

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 Committee shall have the authority to modify or waive any procedural requirements subject to such waiver or modification is in accordance with the act and/or SEBI Regulations.

V. DISCLOSURES

- a) The Company is required to disclose certain Related Party Transactions in the Company's Board's Report to shareholders of the Company as provided by Section 188 of the Companies Act, 2013.
- b) The Compliance Status of all Related Party Transactions shall be disclosed in the Corporate Governance Reports submitted to Stock Exchange as required under SEBI Regulations.
- c) The Company is also required to disclose the Policy on its website in accordance with SEBI Regulations.
- d) The Company is required to maintain Register of Contracts or Arrangements in which Directors are interested, giving separately the particulars of all contracts or arrangements with any related party as required under the Companies Act 2013.

VI. NON-COMPLIANCE OF POLICY

A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified in accordance with the provisions of Companies Act 2013 and SEBI Regulations.

VII. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

