

KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

CIN : L15314TN1961PLC004674

Regd. Office : 75/8, Benares Cape Road, Gangaikondan-627352, Tirunelveli, Tamil Nadu

Related Party Transaction Policy

1. Preamble

The Board of Directors (the "Board") of Kovilpatti Lakshmi Roller Flour Mills Limited (the "Company"), acting upon the recommendation of its Directors and Audit Committee (the "Committee"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below.

2. Objective

The Company has formulated this policy to determine the materiality of related party transactions and to lay down the procedure in dealing with the related party transactions. This policy is to regulate the transactions between the Company and its Related Parties as per the laws and regulations applicable to the Company.

3. Definitions

- a. **"Act"** means Companies Act, 2013 (including any statutory modifications or re-enactments or amendments thereof for the time being in force)
- b. **"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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- c. **"Audit Committee"** means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under the provisions of the Listing regulations and the Companies Act, 2013.
- d. **"Associate Company"** means shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.
- e. **"Board"** means the Board of Directors of the company;
- f. **"Company"** or **"KLRF"** means Kovilpatti Lakshmi Roller Flour Mills Limited;
- g. **"Control"** shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;
- h. **"Director"** means a director appointed in the Board of the Company as per the provisions of the Companies Act, 2013 and the Listing Regulations;
- i. **"Independent Director"** means a director as defined under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations;
- j. **"Key Managerial Personnel"**, in relation to a company, means -
 - i The Chief Executive Officer or the Managing Director or the Manager;
 - ii The Company Secretary;
 - iii The Whole-time Director;
 - iv The Chief Financial Officer; and
 - v Such other officer as may be prescribed;
- k. **"Listing Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments or modifications or re-enactments thereof.
- l. **"Material Related party Transaction under Listing regulations"** means;

- i. the transaction(s) with a related party, whether entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
 - ii. the 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.
- i. **“Material Related party Transaction under Companies Act, 2013”** means the transaction / transactions with the related party, to be entered into individually or taken together with previous transactions during the financial year, -

A. As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 of the Companies Act 2013, falling under one or more of the criteria mentioned below:

- a) Sale, purchase or supply of any goods or materials, directly or through appointment of agent amounting to ten per cent or more of the turnover of the Company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- b) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten per cent or more of net worth of the Company as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- c) Leasing of property of any kind amounting to ten percent or more of turnover of the Company as mentioned in clause (c) of sub-section (1) of section 188;
- d) Availing or rendering of any services, directly or through appointment of agent, amounting to ten per cent or more of the turnover of the Company as mentioned in clause (d) and clause (e) respectively of subsection (1) of section 188:

The limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during the relevant financial year.

- B. Is for appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company (as applicable) at a monthly remuneration exceeding Rupees Two and Half Lakhs as mentioned in clause (f) of sub-section (1) of section 188: or
- C. Is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one per cent, of the net worth as mentioned in clause (g) of sub section (1) of section 188.

The Turnover or Net Worth referred in the above definition shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

- j. **“Material Modification”** means any modification(s) made in the transaction value, price, duration of contract/transaction/arrangement or any other terms and conditions having a variance of 20% or more of the material related party transactions which were previously approved by the Board of Directors or Audit Committee or Shareholders during the relevant financial year. This definition shall be applicable for “Material Related Party Transaction

under Listing Regulations” and “Material Related Party Transaction under Companies Act, 2013”.

- k. **“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 and clause (zc) of Regulation 2 of the Listing Regulations or under the applicable accounting standards. The term “Related Party” shall also include the following:
- a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
 - b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more (with effect from April 1, 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 immediate preceding financial year
- l. **“Relative”**, with reference to any person, means as defined under Section 2(77) of the Act and includes any one who is related to another, if
- a) they are members of a Hindu Undivided Family;
 - b) they are husband and wife; or
 - c) one person is related to the other in such manner as prescribed under Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014;
- m. **“Related Party Transaction”** or “RPT” means transactions as given under clause (a) to (g) of sub-section (1) of Section 188 of the Act and the corresponding Rules thereto and as defined in clause (zc) of Regulation 2 of the Listing Regulations. The term “Related Party Transaction” also includes a transaction involving a transfer of resources, services or obligations between:
- a) 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
 - b) 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 (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 treated as 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:
 - a) payment of dividend;
 - b) sub-division or consolidation of securities;
 - c) issuance of securities by way of a rights issue or a bonus issue; and
 - d) buy-back of securities.
- n. **“Policy”** means this Related Party Transactions Policy.

4. Policy

4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel (KMP) shall, at the beginning of every financial year, provide to the Company a notice of his interest or concern in the entities, which are considered as Related Party, along with the list of Relatives in the prescribed form and further changes, if any, shall also be intimated in the same manner immediately by way of giving a notice of change in the nature of his or her interest or concern.

Each Director as well as KMP shall inform in advance to the Company of any potential Related Party Transaction involving him or her or his or her Relative / Related Party, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

4.2 Approval Matrix

Overall framework of Approval for Related Party Transactions

Level 1 - Audit committee Approval

- ❖ All Related Party Transactions and any subsequent Material Modifications shall require prior approval of the Audit Committee of the Company and only those members of the Audit Committee, who are Independent Directors, shall approve such Related Party Transactions.
- ❖ A Related Party Transaction to which the subsidiary of the Company (as and when become applicable) is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.
- ❖ With effect from April 1, 2023, a related party transaction to which the subsidiary of the Company (as and when become applicable) is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the concerned subsidiary of the Company.
- ❖ As and when become applicable, prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which the listed subsidiary of the Company (as and when become applicable) is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary of the Company.
- ❖ As and when become applicable, prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which an unlisted subsidiary of the listed subsidiary of the Company (as and when become applicable) is a party but the listed subsidiary of the Company is not a party, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

- ❖ As and when become applicable, prior approval of the Audit Committee of the Company shall not be required for (a) Related Party Transactions entered into between the Company, being a holding company and its wholly owned subsidiary whose accounts are consolidated with the holding company and placed before the shareholders of the holding company at their general meeting for approval; and (b) Related Party Transactions entered into between two wholly-owned subsidiaries of the Company, being a holding company, whose accounts are consolidated with the holding company and placed before the shareholders of the holding company at their general meeting for approval.

Audit Committee - Omnibus Approval

The Audit Committee shall grant Omnibus Approval for Related Party Transactions proposed to be entered into by the Company, subject to the following conditions:

- Criteria has been laid down by the Audit Committee under Rule 6A of the Companies (Meetings of Board & Its Powers) Rules, 2014 and Regulation 23 of SEBI (LODR) Regulations, 2015 (as amended) with the requisite approval of the Board;
- The transactions in respect of which the Omnibus Approval is proposed to be granted are of repetitive in nature;
- the Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- the Omnibus Approval shall contain the following information:
 - (a) Name of the Related Party, nature of relationship with such Related Party;
 - (b) Nature of transaction, period of transaction;
 - (c) Maximum amount of transactions;
 - (d) the indicative base price / current contracted price and the formula for variation in the price if any;
 - (e) such other conditions as the audit committee may deem fit.

Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

The 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 approvals given.

The Omnibus Approval granted by the Audit Committee shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Level 2 - Board Approval

All Related Party Transactions falling within the purview of Section 188 and Section 184 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board and its powers) Rules, 2014 (as amended) shall require the prior approval of the Board of Directors of the Company.

Level 3 - Shareholder's Approval

- i. All Material Related Party Transactions, as defined under the Listing Regulations and under the Companies Act, 2013 and any subsequent Material Modification, shall require prior approval of the shareholders through a resolution and no Related Party shall vote to approve such resolution whether such entity is a Related Party to the particular transaction or not.

- ii. All Material Related Party Transaction, as defined under the Listing Regulations and under the Companies Act, 2013 to be entered into by the Company with a Related Party which are not in the Ordinary Course of Business, whether or not at Arm's length basis, shall also require the prior approval of the Shareholders through a resolution and no Related Party shall vote to approve such resolution whether such entity is a Related Party to the particular transaction or not.
- iii. As and when become applicable, prior approval of the shareholders shall not be required for (a) Related Party Transactions entered into between the Company, being a holding company and its wholly owned subsidiary whose accounts are consolidated with the holding company and placed before the shareholders of the holding company at their general meeting for approval; and (b) Related Party Transactions entered into between two wholly-owned subsidiaries of the Company, being a holding company, whose accounts are consolidated with the holding company and placed before the shareholders of the holding company at their general meeting for approval.
- iv. As and when become applicable, prior approval of the shareholders of the Company, being a holding company, shall not be required for a Related Party Transaction to which the listed subsidiary of the Company 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.
- v. As and when become applicable, the prior approval of the shareholders of the listed subsidiary of the Company shall suffice for a Related Party Transaction to which an unlisted subsidiary of a listed subsidiary of the Company is a party but the listed subsidiary is not a party.

Exemption:

The following Related Party Transactions shall not require the approval of Audit Committee or Board of Directors or Shareholders of the Company:

- i. Any transaction that involves the payment of compensation to a Director or Key Managerial Personnel in connection with provision of his or her duties to the Company or any of its Subsidiaries or Associates, 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;

4.3 Procedure for review and approval of Related Party Transactions

- ❖ Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation, as permitted under the Act or Listing Regulations.
- ❖ Audit Committee of the Company shall be provided with all requisite information in accordance with Rule 6A of the Companies (Meetings of the Board and its Powers) Rules, 2014 (as amended) read with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No.SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated 22/11/2021 and such other information, as the Audit Committee may seek for, while granting its approval under this policy.

- ❖ If a transaction has been identified as Related Party Transaction, the same shall require the prior approval of the Audit Committee and it shall make necessary recommendation to the Board of Directors. The Board shall take into account the recommendation of the Audit Committee and grant its approval, with or without any modification as may be necessary or appropriate under the circumstances. The Board shall also be provided with all requisite information in accordance with Rule 6A of the Companies (Meetings of the Board and its Powers) Rules, 2014 (as amended) read with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated 22/11/2021 and such other information, as the Board may seek for, while granting its approval under this policy.
- ❖ Every Director or Key Managerial Personnel shall duly disclose the nature of his / her interest or concern, if any, to the Audit Committee or Board, as applicable, while the approval for a Related Party Transaction, in which he or she is interested or concerned, is considered and such interested Director(s) shall provide all requisite information as may be required by the Audit Committee or Board in the said connection but shall neither participate in the discussion nor vote on such resolution.
- ❖ The Audit Committee of the Company shall review, at least on a quarterly basis, all the Related Party Transactions entered into by the Company pursuant to its Omnibus Approval.

4.4 Identification of Potential Related Party Transactions

- i. Every Director/Key Managerial Personnel shall be responsible for providing written notice in the prescribed form to the Compliance Officer of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information or disclosure about the transaction that the Compliance Officer may reasonably request in this connection. The Compliance Officer, in consultation with other members of management and with the Audit Committee, as appropriate, shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- ii. Every Director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- iii. Where any Director/ Key Managerial Personnel, who is not concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, shall promptly disclose his/her nature of concern or interest, immediately when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes concerned or interested.
- iv. A transaction or contract or arrangement entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- v. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matter(s) incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances, as permitted under the Companies Act or Listing Regulations, as applicable and for the time being in force.

4.5 Related Party Transactions When Not Approved Under This Policy

In the event the Company becomes aware of a 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 at the earliest possible.

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, as permitted under the Companies Act or Listing Regulations. 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 shall take any such action it deems appropriate, as permitted under the Companies Act or Listing Regulations.

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, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy subject to the compliance of statutory requirements.

In the above cases, the Audit Committee shall place its recommendations to the Board for its approval.

Where any transaction or contract or arrangement is entered into by a Director or KMP, without obtaining the prior approval of the Audit Committee or Board, as required above and if it is not ratified by the Audit Committee or Board within three months from the date on which such contract or arrangement was entered, shall be dealt as per Section 188 of the Companies Act.

4.6 Amendment to the Policy

The Board on its own and/or on the recommendations of the Audit Committee can amend this policy, as and it deems fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the competent authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail and this policy shall stand amended accordingly without any further action, from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

4.7 Disclosure

1. This Policy will be communicated to all the operational employees and other concerned persons of the Company.
2. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. Every contract or arrangement entered with the Related Party, covered under Section 188(1) of the Companies Act, 2013 shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
4. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
5. The Company shall disclose the name of the related party, the nature of relationship, the transaction details and such other details as required under the applicable Accounting Standards, in the Annual Report.

6. The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:
7. The Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results, as applicable.
8. The Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results (with effect from April 1, 2023).
9. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party in compliance with the Companies Act, 2013.

(The amendments to this policy has been approved by the Board of Directors, at their meeting held on 11th February, 2022 and the same has been made effective from 11th February, 2022)