KANCO

KANCO ENTERPRISES LIMITED

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POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

AND MATERIALITY OF RELATED PARTY TRANSACTIONS

OF KANCO ENTERPRISES LIMITED

1. INTRODUCTION

The Board of Directors of KANCO ENTERPRISES LIMITED (hereinafter referred to as "KEL" or "The Company") recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company and its shareholders' best interests and are in compliance to the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) (hereinafter referred to as the "Listing Regulations") and any other applicable Law(s), for the time being in force and is required to formulate a policy on materiality of related party transactions and dealing with related party transactions. The Board of Directors of the Company has formulated and adopted a Policy in terms of the aforesaid provisions. This Policy on Related Party Transactions and Materiality of Related Party Transactions ("the Policy"), was formulated by the Board of Directors in terms of Regulation 23(1) of the Listing Regulations, 2015 on 30th November, 2015. The Policy is further amended by the Board of Directors of the Company at its meeting held on 14th February, 2022 to align the same with the amendments made by Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

This Policy is framed as per the requirements of the applicable laws and shall operate within the boundaries set by the Laws.

This Policy shall become effective from the date of its adoption by the Board.

2. SCOPE AND PURPOSE OF THE POLICY

The objective of this Policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company in this regard and to ensure proper approval and reporting of transactions between the Company and its Related Parties.

The Board recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof. Therefore the Board has adopted this Policy to ensure that all Related Party Transactions with Related Parties shall be subject to this policy and approval or ratification in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, determination of materiality, approval and reporting of such Related Party Transactions.

3. CLARIFICATIONS, AMENDMENTS AND UPDATES

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy,

shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy. Likewise, reference in this Policy to accounting standards shall be deemed to refer to the contemporaneous accounting standards as applicable to the Company at the relevant time.

All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them, in the Applicable Law under reference, that is to say, the Companies Act, 2013 and Rules framed thereunder, or Listing Regulations, as amended, from time to time.

4. DEFINITIONS

4.1 **"Act"** means the Companies Act, 2013, together with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force (hereunder referred to as "Act").

4.2 **"Accounting Standards"** means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.

4.3 **"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 company of the Company having such influence and includes a joint venture company. It shall also include an entity which is an associate as per the applicable accounting standards.

4.4 **"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.

4.5 **"Audit Committee"** means the Committee of the Board of Directors of the Company constituted under the applicable laws.

4.6 **"Board"** means Board of Directors of the Company.

4.7 **"Body Corporate"** means an entity as defined in Section 2(11) of the Act.

4.8 **"Company"** means KANCO ENTERPRISES LIMITED.

4.9 **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and Companies Act, 2013.

4.10 **"Director"** means any Director of the Company appointed as per the provisions of Act.

4.11 **"Employees"** shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.

4.12 **"Joint Venture"** means a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

KANCO ENTERPRISES LTD. KOL - 17

4.13 **"Key Managerial Personnel"** shall mean the officers of the Company as defined in Section 2(51) of the Act and rules prescribed thereunder.

4.14 **"Listing Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof.

4.15 **"Material Modifications"** in relation to any RPT means 10% (Ten per cent) or more variation in the threshold limits of approved RPT in terms of value, quantity, interest or otherwise.

4.16 **"Material Related Party Transactions"** means transaction(s) with a related party, if the transaction(s) to be 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.

4.17 **"Ordinary course of business"** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing/ giving of guarantees or collaterals or loans or any other financial assistance, in the normal routine in managing trade or business as and is not a standalone transaction.

4.18 **"Office or Place of Profit"** means any office or place:

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent free accommodation, or otherwise."

4.19 **"Policy"** means this Policy on Related Party Transactions.

4.20 **"Relative"** shall have the same meaning as assigned to it under Section 2(77) of the Act and the Rules made thereunder and the Listing Regulations.

4.21 **"Related Party"** means "Related Party" defined under the Listing Regulations

4.22 **"Related Party Transaction"** ("RPT") means Related Party Transactions defined under the Listing Regulations.

4.23 **"Subsidiary"** means a company as defined in Section 2(87) of the Act.

KANCO ENTERPRISES LTD. KOL - 17

4.24 **"Significant Influence"** means control of at least 20% of the total voting power, or control of or participation in business decisions under an agreement.

All terms not defined herein above shall take their meaning from the Applicable Laws.

5. EXCEPTIONS TO RELATED PARTY TRANSACTIONS

5.1 Notwithstanding anything contained in the foregoing, the following shall not be deemed as Related Party Transactions for the purpose of this Policy:

(i) Any transaction that involves providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, in connection with his or her duties to the Company or any of its subsidiary companies or associate companies, including the reimbursement of reasonable business and/or travel expenses incurred in the ordinary course of business.

(ii) Reimbursement of expenses incurred by a Related Party for business purpose of the Company.

(iii) Reimbursement of pre-incorporation expenses incurred by a Related Party as approved by the Board of Directors of the Company.

(iv) 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.

(v) Any transaction which is in the ordinary course of business and on an arms' length basis as determined in terms of this Policy.

(vi) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require approval in advance of the Audit Committee.

(vii) The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Listing Regulations.

(viii) The following corporate actions by the listed entity 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.

5.2 Any transaction with a Related Party can be undertaken only if it is in compliance with the law.

KANCO ENTERPRISES LTD. KOL - 17

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6. APPROVAL OF RELATED PARTY TRANSACTIONS

All related party transactions proposed to be entered by the Company will be entered subject to the approvals as required under Section 188 of the Act and in compliance with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of the Listing Regulations.

(a) AUDIT COMMITTEE APPROVAL

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company whether at a Meeting of the Audit Committee or by Resolution by Circulation.

The audit committee shall mandatorily review statement of significant related party transactions submitted by management.

In the audit committee meeting, only those members of the audit committee, who are independent directors, shall approve related party transactions.

A related party transaction to which the subsidiary of the Company 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.

Further, with effect from April 1, 2023, a related party transaction to which the subsidiary of the Company is a party but the Company, 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 subsidiary;

However, prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

Furthermore, for related party transactions of unlisted subsidiaries of the a listed subsidiary as referred above, the prior approval of the audit committee of the listed subsidiary shall suffice.

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 policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

KANCO ENTERPRISES LTD. KOL - 17

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. Such 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;

If 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 Rs.1 crore per transaction.

(b) APPROVAL OF BOARD OF DIRECTORS

All the Related Party Transactions shall be approved by the Board of Directors of the Company, except:

(i) transactions entered into by the company are in its ordinary course of business; and
(ii) transactions are at an arm's length basis.

(c) APPROVAL OF SHAREHOLDERS

All transactions with Related Parties exceeding the materiality thresholds, as stated below, shall require prior approval of the Shareholders:

a) If the transaction/transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company;
b) A transaction involving payments made with respect to brand usage or royalty, if the transaction/transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5 % (Five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company;
c) All transactions specified under Section 188 of the Companies Act, 2013 which are not at arm's length or not in the ordinary course of business and exceed the thresholds laid down in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time.

Further, in any case, all material related party transactions and subsequent material modifications therewith shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

KANCO ENTERPRISES LTD. KOL - 17

However, prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary 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 and for such rrelated party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

However, this requirement shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

7. GENERAL PROVISIONS :

1. The requirement of Audit Committee and Shareholders' approval shall not be applicable in the following cases:

a) for transactions entered into between the Company and its Wholly-owned Subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

b) Transactions entered into between two government companies.

c) 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

2. For the purpose of Listing Regulation, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

8. RELATED PARTY CONTRACTS ENTERED WITHOUT PROPER APPROVAL OF BOARD / SHAREHOLDERS:

Where any contract or arrangement is entered into by a Director or any other employee of the Company, without obtaining the consent of the Board or approval by a Resolution in the General Meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at the Meeting within 3(three) months from the date from which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with the related party to any Director or is authorised by any Director, the Director(s) concerned shall indemnify the Company against any loss incurred by it.

Without prejudice to the above, it shall be open to the Company to proceed against the Director or any other employee who had entered into such contract or arrangement for recovery of any loss sustained by it as a result of such contract or arrangement.

KANCO ENTERPRISES LTD. KOL - 17

The Director or any other employee of the Company who had entered into or authorised the contract or arrangement in violation shall be punishable with imprisonment and fine as prescribed under Section 188 of the Companies Act, 2013.

9. REVIEW & MONITORING OF RELATED PARTY TRANSACTIONS

The Audit Committee shall review, including th statement of significant related party transactions submitted by management, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. However, such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

10. DISCLOSURES/AMENDMENT:

- Related Party transactions shall be disclosed in the Directors' Report as prescribed under the Companies Act, 2013 and the Listing Regulations.
- Details of all material related party transactions shall be disclosed quarterly along with the compliance report on Corporate Governance.
- The Related Party Transactions Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.
- The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

11. MISCELLANEOUS:

The right to interpret/amend/modify this Policy vests in the Board of Directors of the Company as may be recommended by the Audit Committee. This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company. The policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

For KANCO ENTERPRISES LIMITED

Managing Director.