



SHREE KRISHNA PAPER MILLS & INDUSTRIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. Purpose of this Policy

1.1 Shree Krishna Paper Mills and Industries (“Company”) is governed, amongst others, by the rules and regulations of the Companies Act, 2013 and Securities Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirements) Regulations, 2015. SEBI has mandated every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

1.2 Accordingly, the Board of Directors of the Company (“Board”) have approved this Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions (“Policy”) based on the recommendations of the Audit Committee of the Company.

1.3 The Board on recommendation of the Audit Committee shall review the Policy once in three years and may amend the same from time to time.

2. Definitions

- A. **“Act”** shall mean the Companies Act, 2013 and Rules made thereunder including any amendments thereof.
- 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.
- C. **“Listing Regulations”** shall mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendments / circulars thereof.
- D. **“Material Modification”** means any subsequent change / variation / modification to an existing Related Party Transaction which were approved by the Audit Committee or Board or the Shareholders of the Company, as the case maybe, and having variance of 25% of the existing limit/value.
- E. **“Material Related Party Transaction”** means a Related Party Transaction wherein the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds Rs. 1,000 Crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statement, whichever is lower, or such thresholds as may be prescribed under the Listing Regulations from time to time.

Provided that a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company or such thresholds as may be prescribed under the Listing Regulations from time to time.

- F. **“Ordinary course of business”** means the usual/frequent transactions undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per objects of the Company.
- G. **“Related Party”** means a related party as defined under Section 2(76) of the Act read with Rules made thereunder and Regulation 2(1)(zb) of the Listing Regulations including any amendments thereof.
- H. **“Related Party Transaction”** means related party transaction as defined under Section 188 of the Act read with Rules made thereunder and Regulation 2(1)(zc) of the Listing Regulations including any amendments thereof.
- I. **“Subsidiary”** means a subsidiary as defined under Section 2(87) of the Act including any amendments thereof.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the Listing Regulations, as amended from time to time.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

3. Review and approval of Related Party Transactions

A. Audit Committee

- i. All the transactions which are identified as Related Party Transactions and subsequent Material Modification thereof, shall be pre-approved by the Audit Committee in the manner specified under the Act and Listing Regulations. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
- ii. Only those members of Audit Committee who are Independent Directors, will approve Related Party Transactions. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders, as detailed in subsequent paragraphs.
- iii. The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Section 177 of the Act read with Rules made thereunder and Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy

and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. Additionally, the Audit Committee may also grant omnibus approval for Related Party Transactions of unforeseen nature not exceeding Rs. 1 Crore.

- iv. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions and Material Modification thereof, entered into by the Company pursuant to the omnibus approval.
- v. The Audit Committee shall also pre-approve related party transactions and subsequent Material Modification, where the Company is not a party, but the Company's subsidiary is a party, if the value crosses the thresholds as prescribed under the Listing Regulations from time to time.

B. Board of Directors

- i. In case Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as prescribed under Section 188 of the Act read with Rules made thereunder and the Listing Regulations including nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications as it deems appropriate. Any member of the Board who has any interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.
- ii. All Material Related Party Transactions and subsequent Material Modification, shall be approved by the Board in the manner specified under the Listing Regulations.

C. Shareholders

- i. If a Related Party Transaction is (a) a Material Related Party Transaction as per Regulation 23 of the Listing Regulations, or (b) not in the ordinary course of business, or not at arm's length price and exceeds the prescribed thresholds under the Act, then such Related Party Transaction and any subsequent Material Modification thereto, shall require prior approval of the shareholders of the Company, and in case transaction falls under above-mentioned criteria (a), then no related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not and in case transaction falls under above-mentioned criteria (b), then no member shall vote to approve such resolutions, if such member is a related party.
- ii. All Material Related Party Transactions and subsequent Material Modification of the Subsidiary, exceeding the prescribed thresholds under the Listing Regulations, shall require prior approval of the shareholders of the Company, and no related party shall vote to approve such resolutions irrespective of whether the entity is a party to the particular transaction or not.

The provisions of Regulation 23(2), (3) and (4) of the Listing Regulations shall not be applicable in case of transactions between the Company and its wholly-owned subsidiary(ies); and transactions 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.

4. Reporting of Related Party Transactions

- i Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- ii The details of all transactions with related parties shall be submitted to the stock exchanges as per the manner, format and timelines set-out in the Listing Regulations and the same shall be published on the Company's website.

5. Registers and Records

Particulars of all contracts or arrangements covered by Section 188 would be entered in the Register of Contracts or arrangements in which directors are interested and would be placed before the Board of Directors at its meetings and would be open for inspection to the Members of the Company as provided in Section 189 of the Act. Further, records and information required under Companies (Cost Records and Audit) Rules, 2014, shall also be maintained.

6. Amendment

The Audit Committee of the Company shall review and may recommend amendments to this policy from time to time, subject to the approval of the Board of Directors of the Company. Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

