

Policy on related party transaction

1. 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 under and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014). The company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Clause 49 (vii)(c) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, Kopran Ltd. (herein after referred as Company) has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors the Company based on recommendations of the Audit Committee of Directors (Audit Committee). Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

This Policy does not supersede other delegation of powers to management, resolutions of the Board requiring certain transactions to be approved by the Board or other Committees thereof.

2. ABOUT THE COMPANY:

The Company is Manufacturers of Pharmaceuticals products and has a API Unit and Formulation unit.

3. OBJECTIVE OF THE POLICY:

The objective of this Policy is to set out

- a. The materiality thresholds for related party transactions and;
- b. The manner of dealing with the transactions between the Company and its related parties based on the act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

This Policy is intended to ensure that proper reporting, approval and disclosures processes are in place for all transactions between the Company and Related Parties. This Policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

4. DEFINITIONS:

“Arm’s length transaction (“ALP)” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Company Act, 2013 and Clause 49 of the Listing Agreement.

“Related Party Transaction” (RPT) 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 RC 49, any transaction involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

A **“transaction”** with a related party shall be constructed to include single transaction or a group of transactions in a contract.

5. MATERIALITY THRESHOLDS

If the transaction/ transactions 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 company as per the last audited financial statements of the Company.

6. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

Related Part Transactions are prohibited, unless approved or ratified by the Audit Committee and/or the Board of Directors of the Company in accordance with this Policy. In dealing with related Party Transactions, the Company will follow the following approach:

I. Identification of Related Party Transactions

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.

All Directors, Members of the Management Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their

Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, Members of the Management Committee and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/ her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

II. Review and Approval of Related Party Transactions

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee of the Company in accordance with this Policy.

Unless otherwise stated in this policy, all Related Party Transactions require prior approval of the Audit Committee of the Company. All Related Party Transactions must be reported to the Company Secretary who shall submit the same for approval or ratification by the Audit Committee in accordance with this policy.

The Audit Committee shall grant omnibus approval to Related Party Transactions that are:

- a. repetitive in nature; and/or
- b. entered in the ordinary course of business and are at Arm's Length. The expression Arm's Length has the meaning ascribed to it under Section 188 of the Companies Act, 2013.

Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
- b) If the transaction to be entered into with a Related Party is concerning technology transfer, intellectual property or specialized services that are proprietary in nature;
- c) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at Arm's Length and in ordinary course of business;
- d) 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 value and the formula for variation in the value, if any and (iii) such other conditions as the Audit Committee may deem fit;

Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after expiry of one year.

The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval.

In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee in exceptional circumstances only. A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will rescue him or herself abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transaction placed for approval or ratification of the Audit Committee.

All Related Party Transactions that are not in the ordinary course of business or not on Arm's Length basis shall be referred to the Board of Directors for their approval. Any member of the Board who has potential interest in such Related Party Transaction will rescue him or herself and abstain from voting on the approval of such Related Party Transactions. Such member may, however, participate in discussions with respect to other Related Party Transaction placed for approval of the Board.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and rules framed there under and the Listing Agreement. All entities falling under the definition of Related Party shall abstain from voting irrespective of whether the entity is party to the particular transaction or not.

III. Related Party Transactions that shall not require Approval

Following transactions shall not require separate approval under this policy:

- Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;

- Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Payment of dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Equity Listing Agreement;
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

7. Disclosure(s)

Details of all Material Related Parties Transactions shall be disclosed, on quarterly basis, along with the compliance report on corporate governance, to the Stock Exchanges.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide web link in the Annual Report. In addition to the disclosures required under Accounting Standard, Related Party transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

8. Amendments to policy

The Audit Committee of the Company shall review any may amend 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 dates as laid down as laid down under such amendment(s), clarification(s), circular(s), etc.