

## **POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

(w.e.f. April 01, 2022)

### **1. Preamble**

The Board of Directors (the "Board") of KMC Speciality Hospitals (India) Limited (the "Company" or "KMCSHIL"), 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. The Committee will review and may amend this policy from time to time.

This policy shall be applicable to the Company to ensure the proper approval and reporting of transactions between the Company and any of its related parties.

### **2. Objectives**

This policy is framed as per requirement of Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"). KMCSHL recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its shareholders' best interests. Therefore, this policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors in order to set forth procedures under which certain transactions must be reviewed and approved or ratified.

### **3. Definition and Interpretations**

- a) "**Arm's Length Transactions**" shall mean any transaction carried out between two or more Related Parties as if they are not related to each other so that there is no 'Conflict of Interest'.
- b) "**Audit Committee or Committee**" means Committee of Board of Directors of the Company constituted under provisions of SEBI Regulations and Companies Act, 2013
- c) "**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.

*Explanation - For the purposes of this clause- the expression "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.*

- d) "**Board**" means the board of directors of the Company

- e) **“Control”** is defined as follows:
- i. shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
  - ii. As per Section 2(27) of the Companies Act, 2013: 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;
- f) **“Key Managerial Personnel”** or **“KMP”** shall have the meaning referred to in the Companies Act, 2013 and includes
- (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;
  - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
  - (vi) such other officer as may be prescribed;
- g) **“Material Related Party Transaction”** shall have the meaning referred regulation 23(1) and 23(1A) which states as follows: (w.e.f. April 01, 2022);

“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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.”

A 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 listed entity as per the last audited financial statements of the listed entity.

- h) **“Related Party”** means, a person or entity related to the Company as mentioned below:

**As per Companies Act, 2013:**

Under Section 2(76) of the Companies Act, 2013 which are as follows:

- (a) a director or his relative;
- (b) a key managerial personnel or his relative;
- (c) a firm, in which a director, manager or his relative is a partner;
- (d) a private company in which a director or manager or his relative is a member or director;
- (e) a public company in which a director or manager is a director and holds along with his

- relatives, more than two per cent. of its paid-up share capital;
- (f) anybody corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager.
  - (g) any person on whose advice, directions or instructions a director or manager is accustomed to act
  - (h) any body- corporate which is:
    - i. a holding, subsidiary or an associate company of such company;
    - ii. a subsidiary of a holding company to which it is also a subsidiary; or
    - iii. an investing company or the venturer of the company
  - (i) A director, other than an Independent Director, or Key Managerial Personnel of the Holding Company or his relative with reference to a company, shall be deemed to be a Related Party.

**As per SEBI LODR:**

As per 2 (1) (zb) of SEBI LODR Regulation, “**Related Party**” means as defined under sub section (76) of section 2 of the Companies Act,2013 or under the applicable accounting standards:

**Provided that:**

- any person or entity forming a part of promoter or promoter group of the listed entity or
- any person or any entity holding equity shares of
  - ii) 20% or more or; (w.e.f. April 01, 2022);
  - iii) 10% or more w.e.f April 01, 2023
- in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act,2013 at any time during the immediately preceding financial year shall be deemed to be a related party.

**i) “Related Party Transactions”:**

**As per Companies Act, 2013:**

As per Section 188 of the Companies Act, 2013, any contract or arrangement with respect to the following shall be considered as a “**Related Party Transactions**”

- (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

\*For the purposes of the aforementioned transaction contemplated by Section 188 of the Companies Act, 2013, the term “**office or place of profit**” means any office or place:

- 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;
- 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;

**As per SEBI LODR:**

As per SEBI LODR Regulations: “**Related Party Transaction**” means transaction involving transfer of resources, services or obligations between

- i. a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand (w.e.f. April 01, 2022); or
- ii. **a listed entity 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 listed entity or any of its subsidiaries w.e.f. April 01, 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

**Transactions not considered as Related Party Transaction:**

Notwithstanding the foregoing, the following shall not be deemed RPTs:

- i) Any transaction which is in the ordinary course of business and on an arms’ length basis as determined in terms of this Policy.
- ii) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder

W.e.f April 01, 2022 the following shall not be 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 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.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

j) **“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if:

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife or
- iii. one person is related to the other in such manner as mentioned below
- iv. Father (including step-father)
- v. Mother (including step-mother)
- vi. Son (including step-son)
- vii. Son’s wife
- viii. Daughter
- ix. Daughter’s husband
- x. Brother (including step-brother)
- xi. Sister (including step-sister)

k) **Material Modification in Related Party Transaction** (w.e.f. April 01, 2022);

“Material modification in a related party transaction” means any modification related to change in price, tenure, delivery schedule, non-statutory obligations, terms and conditions or short closure of any contract or arrangement with related party.

#### **4. Identification of Related Party Transactions**

Each Director and “KMP” and other Related Party whenever wishes to enter into any transaction shall promptly notify and acquire prior approval of the Audit Committee of any interest that such person or relative of such person had, has or may have in a Related Party Transaction, by providing all relevant details and documents.

Notice of any Related Party Transaction/s, referred above shall be given well in advance so that the Audit Committee / the Board have adequate time to review the proposed Related Party Transactions.

The Board/Audit Committee shall discuss and determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

#### **5. Restriction of Related Party Transactions (w.e.f. April 01, 2022);**

All Related Party Transactions and subsequent material modification of transactions of the Company with related parties shall require prior approval of the audit committee.

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

All material Related Party Transactions including subsequent material modifications shall require the prior approval of 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.

Any member of the Audit Committee who has an interest in any Related Party Transactions shall not vote to approve on such Related Party Transaction.

All Related Party Transactions which are neither in the ordinary course of business nor at arm's length price require Board approval. Further these transactions also require shareholder approval if the transaction value exceeds the threshold given under the Companies Act 2013 and SEBI (Listing Obligation and Disclosure Requirement) 2015 as amended from time to time. The details of material contracts or arrangements or transactions which are at arm's length basis shall be put up for noting by the Board.

#### **6. Review and approval of Related Party Transactions (w.e.f. April 01, 2022);**

Potential Related Party Transactions will be referred to the next meeting of the Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction shall not vote to approve on such Related Party Transaction.

Only those members of the Audit Committee who are independent directors shall approve related party transactions.

In case the members of the Audit Committee with no interest in the proposed Related Party Transaction are not to constitute the quorum, such proposed Related Party Transactions shall be referred to the Board of Directors for necessary approvals.

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.

To review a Related Party Transaction, the Committee will be provided with all relevant material information relating to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any

other relevant matters,

**The Audit Committee / Board while considering the proposal to approve a Related Party Transactions, shall inter-alia consider the following factors:**

- Whether the terms of the Related Party Transactions are fair and on “arm’s length basis” to the Company and would apply on the same basis if the transaction did not involve a Related Party
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any
- Whether the Related Party Transaction would affect the independence of an independent Director
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction, and the ongoing nature of any proposed relationship and any other factors the Audit Committee / Board deems relevant
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- (i) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his other 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.

Any member of the Committee who has an interest in the transaction under discussion will abstain from voting. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the Related Party Transaction.

In case there is any conflict between this policy and the applicable laws including clarifications etc. the matter shall be considered in view of the applicable laws including clarifications etc.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may grant omnibus approval for such transactions, provided that the Audit Committee shall lay down criteria for granting such approval, the Committee shall satisfy itself of the need for such omnibus approval and it is in the interest of the Company, and such omnibus approval shall specify:

- The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into
- The indicative base price / current contracted price and the formula for variation in the price if any and 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 for such transactions subject to their value not exceeding Rs. 1 crore per transaction. The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. 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 approval given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

## **7. Approval by Circular Resolution of the Audit Committee**

In the event the management determines that it is impractical or undesirable to wait until a next meeting of the Audit Committee to enter into a Related Party Transaction, such transaction may be approved by the Audit Committee by way of circular resolution in accordance with this policy and statutory provisions for the time being in force. Any such approval must be placed before the next Audit committee meeting for noting.

## **8. Committee / Board to seek details**

While reviewing any Related Party Transaction, the Committee and/or the Board shall be at liberty to call for more information/details/advice/opinion from the following persons

- i. Any employee
- ii. Internal Auditor
- iii. Statutory Auditor
- iv. Cost Auditor
- v. Secretarial Auditor
- vi. Legal Advisor
- vii. External Expert/Consultant



## **9. Determination of Arm Length Price**

The arm's length principle and the transfer pricing methodologies prescribed under the Indian Income Tax Act, 1961 ('IT Act') as well as associated guidance on domestic transfer pricing shall be referred to determine arm length price relating to all related party transactions.

## **10. Transitional Provision**

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 any such action it deems appropriate.

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 has authority to modify or waive any procedural requirements of this Policy.

## **11. Related Party Transaction not approved under this policy**

Where any contract or arrangement is entered into, without obtaining the consent of the Audit Committee, Board or approval of shareholders by a Special Resolution in the General Meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.

## **12. Disclosure (w.e.f. April 01, 2022);**

The Company shall disclose particulars of the contract and arrangement along with the justification for entering into such contracts/arrangements with the Related Parties in the Directors' Report as part of Company's Annual Report. This Policy will also be disseminated on the website of the Company.

The Company shall also disclose the details of all material transactions with Related Parties on a quarterly basis along with Compliance report on corporate governance filed with the Stock Exchanges entered into by the Company with the Stock Exchanges.

Every contract or arrangement entered shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The listed entity 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:

Further the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results. (w.e.f April 01, 2022)

The listed entity 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

The listed entity 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.

### **13. Records to be maintained**

The details of contract / arrangement / transaction made under this policy shall be entered in the register as per the prescribed format and the same shall be maintained as per the provisions of the Companies Act, 2013.

### **14. Amendments to the policy**

This Policy is formulated based on the provisions of the Companies Act, 2013, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Policy may be amended by the Board at any time and is subject to the provisions of the Companies Act, 2013 and Guidelines issued by the Securities and Exchange Board of India. If any Act / Regulation which makes any of the provisions of this Policy inconsistent with the Act or Regulations, the provisions of the Act or Regulations would prevail over this Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

Any changes or modification in the Policy as recommended by the Audit Committee would be placed before the Board for approval.

Date:  
Place: Trichy

Managing Director