



POLICY ON RELATED PARTY TRANSACTION

**KNOWLEDGE MARINE &
ENGINEERING WORKS LIMITED**



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1. PREAMBLE

This policy is framed as per the requirement of Regulation 23 of the Securities and Exchange Board of India, (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) as amended from time to time

Knowledge Marine & Engineering Works Limited (“the Company”) acknowledges that the Related Party Transactions may have potential or actual conflicts of interests and may raise questions whether such transactions are in consonance with the best interest of the Company & its shareholders. In order to address the concern and to set forth the practices & procedures for entering into and dealing with Related Party Transactions, the Board of Directors have adopted this Policy. The Policy is applicable to all the Related Party Transactions irrespective of their nature, value or volume.

This Policy is intended to be in conjunction with the applicable regulatory provisions & other policies of the Company including Code of Conduct.

2. DEFINITIONS

“**Act**” means Companies Act, 2013 & rules made thereunder, as amended from time to time.

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

“**Audit Committee**” means the Committee constituted by the Board of Directors of the Company pursuant to section 177 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the Listing Regulations.

“**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 as per sub-section (6) of Section 2 of the Act.

Explanation: For the purpose of Associate Company (i) "Significant Influence" means control of at least 20% (twenty percent) of total voting power, or control of or participation in business decisions under an agreement; and (ii) "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.

“Board” means Board of Directors of the Company.

“Body Corporate” or Corporation includes a Company incorporated outside India as per subsection (11) of Section 2 of the Act, but does not include

- (i) a co-operative Society registered under any law relating to Co-operative Societies; and
- (ii) any other Body Corporate (not being a Company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

“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 as per sub-section (27) of Section 2 of the Act.

“Compliance Officer” means Company Secretary of the Company.

“Holding Company” in relation to one or more Companies means a Company of which such Companies are Subsidiary Companies as per subsection (46) of Section 2 of the Act.

“Concerned or Interested Director or Key Managerial Personnel” means a Director or Key Managerial Personnel, 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:

with a body corporate in which such director or such director in association with any other director, or key managerial personnel, holds more than two percent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, such director or key managerial personnel is a partner, owner or member, as the case may be.

“Key Managerial Personnel (‘KMP’) in relation to Company means (i) Chief Executive Officer or Managing Director or Manager (ii) Company Secretary (iii) Whole-time director (iv) 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(s) as may be prescribed under the Act from time to time.

“Material Modification” means any modification to the previously approved Related Party Transaction which shall result in a variance on the pricing, quantity and/or overall transaction value by 20% or more as compared to the approval given by the Audit Committee/ Board of Directors/ Shareholders (as applicable).

“Material Related Party Transaction” means a transaction with a Related Party if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.1000 Crore or 10% of the annual consolidated turnover of the Company (as per the last audited financial statements), whichever is lower.

Further, 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, exceeds 5% of the annual consolidated turnover of the Company (as per the last audited financial statements).

“Materiality Threshold” means limits for related party transactions beyond which the Shareholders' approval will be required as specified in Act and rules thereof and amendments thereto.

“Ordinary Course of Business”: a transaction will be treated as transaction in the ‘Ordinary Course of Business’ if it is-

- carried out in the normal course of business envisaged in accordance with the object clause of the Memorandum of Association (“MOA”) of the Company as amended from time to time;
- in furtherance of business objectives of the Company;
- normal and otherwise routine in the particular business
- the income/expense is treated as business income or expense
- common in a particular industry;
- repetitive/ frequent in nature;
- meets any other parameters/ criteria as decided by the Board / Audit Committee

The above list is not exhaustive, and the Company shall assess each transaction basis its type & nature.

“Policy” means this Policy on Materiality of Related Party Transactions.

“Related Party” shall have the meaning as defined in Regulation 2(1)(zb) of the SEBI Listing Regulations, including any statutory modification or re-enactment thereof.

“Related Party Transaction” shall have the meaning as defined in Regulation 2(1)(zc) of SEBI Listing Regulations and Section 188 of the Act, including any statutory modification or re-enactment thereof.

“Securities” means the Securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulations) Act, 1956.

“Subsidiary Company” or **“Subsidiary”**, as per the sub-section (87) of Section 2 of the Act, in relation to any other Company (that is to say the Holding Company), means a Company in which the Holding Company

- (i) Controls the composition of the Board of Directors; or
- (ii) Exercises or controls more than 1/2 (one-half) of the total voting power either at its own or together with one or more of its Subsidiary Companies.

“Office or Place of Profit” as per Section 188 of the Act 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.

The words & expressions used in this Policy and not defined hereunder, shall have the same meaning assigned to them in the SEBI Listing Regulations or such other applicable law(s) for time being in force.

3. IDENTIFICATION OF RELATED PARTIES

The Related Parties of the Company would have to be identified and ascertained in light of the aforementioned definition of Related Party.

Each director and key managerial personnel of the Company shall disclose to the Company, a list of all persons, companies, firms, body corporates and other entities (together with their interest/holding thereunder) who/which would be categorized as a Related Party to the Company. The disclosure shall be submitted to the Company (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change.

The obligations of the directors and key managerial personnel of the Company to disclose their interest as required under the Act are in addition and not in substitution of the aforementioned obligations. In addition, the directors must give an undertaking that all business transactions entered into between the Company and themselves comply with the terms of this Policy.

In order to determine potential Related Party Transactions, the Company shall at the beginning of a financial year, obtain from below entities about all such person/ parties which shall be considered as related parties of the Company as per Listing Regulations or Section 185 / 192 of Companies Act 2013, within 15 days from the end of the financial year and within 7 days from the date of change in latest disclosure given: -

- Every promoter of the Company,
- Member of promoter group,
- Director of the Company, and
- Key Managerial Personnel of the Company
- Holding Company/ parent of the Company
- Subsidiaries of the Company
- Associates of the Company, and
- Joint ventures of the Company

Both, the Company and the Subsidiary of the Company shall ensure that due approvals of the Audit Committee/ Shareholders of the Company (refer Section on 'Approval of RPTs' given ahead) are in place before undertaking transactions with related parties of either of the companies.

Additionally, both the Company and the Subsidiary shall also ensure that due approvals of the Audit Committee/ Shareholders of the Company are in place before undertaking transactions with any person/entity, the purpose and effect of which is to benefit a related party of either of the companies.

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

(A) Approval of Audit Committee

1. In terms of the applicable provisions of SEBI Listing Regulations, following transactions shall require prior approval of the Audit Committee of the Company:

- (i) Transaction of the Company with its Related Party or Related Party of any of its subsidiary companies
- (ii) Transaction of a subsidiary company with its Related Party or Related Party of the Company if the value of such transaction whether entered into individually or taken together with previous transaction(s) during a financial year exceeds -10% of the annual standalone turnover of the concerned subsidiary company (as per the

last audited financial statements)

- (iii) Transaction of the Company with any other person or entity, the purpose and effect of which is to benefit a Related Party of the Company or any of its subsidiary companies
- (iv) Transaction of a subsidiary company with any other person or entity, the purpose and effect of which is to benefit a Related Party of the Company or any of its subsidiary companies, if the value of such transaction whether entered into individually or taken together with previous transaction(s) during a financial year exceeds 10% of the annual standalone turnover of the concerned subsidiary company (as per the last audited financial statements)
- (v) Any modifications including Material Modification to the Related Party Transaction(s) already approved by the Audit Committee
- (vi) Any other transaction as may be prescribed by the Board of Directors/ Shareholders, from time to time.

Provided that approval of the Audit Committee of the Company shall not be required for the following Related Party Transactions:

- (a) Transactions to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- (b) Transactions [except those which are specified in Section 188(1) of the Act] entered into between the Company and its wholly-owned subsidiary company whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.
- (c) Transactions entered into between two wholly-owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.

Provided further that for Related Party Transactions of unlisted subsidiaries of the listed subsidiary as referred to in clause (a) above, the prior approval of the Audit Committee of that listed subsidiary shall suffice.

- 2.** The Audit Committee, subject to applicable provisions of the Act, Listing Regulation, provisions of this Policy and criteria & thresholds approved by the Board of Directors, may grant Omnibus Approval to a Related Party Transaction (except for the transactions in respect of selling or disposing of the undertaking of the Company) between the Company and its Related Party, subject to satisfaction of the conditions as the Audit Committee may deem fit including but not limited to the following:

- (a) Such transaction is repetitive in nature
- (b) There is a specific need of such Omnibus Approval.
- (c) Such transaction is in the interest of the Company
- (d) The omnibus approval shall specify:
 - (i) the name(s) of the related party;
 - (ii) nature of transaction;
 - (iii) period of transaction;
 - (iv) maximum amount of transaction that can be entered into; and
 - (v) the indicative base price/ current contracted price and the formula for variation in the price, if any.

Provided that where the need for related party transaction cannot be foreseen and details specified in clause (a) to (d) are not available, Audit Committee may grant Omnibus Approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.

- 3.** Omnibus Approval shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of that financial year.

Audit Committee shall review the following:

- details of Related Party Transactions entered into by the Company pursuant to the Omnibus Approvals accorded on a quarterly basis; and
- status of long-term (more than one year) or recurring transactions, on an annual basis.

- 4.** 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.
- 5.** Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- 6.** A related party transaction to which the subsidiary of a 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 percent (10%) of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- 7.** Only those members of Audit Committee of the Company who are Independent Directors, will approve Related Party Transactions. Any member of Audit Committee having a potential interest in the proposed RPT, will neither participate in the discussions nor vote on the proposal for approval of the said transaction.

Details to be provided to the Audit Committee –

With respect to Related Party Transactions requiring approval of the Audit Committee, the following information, to the extent relevant, shall be presented to the Audit Committee:

- a) A general description of the transaction(s), including the material terms and conditions, nature, duration and particulars of the contract.
- b) The name of the Related Party and the basis on which such person or entity is a Related Party.
- c) Name of director or KMP who is related/interested.
- d) Any advance paid or received for the contract or arrangements.
- e) Maximum amount of transaction that can be entered into and the manner of determining the pricing and other commercial terms.
- f) The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
- g) The indicative base price / current contracted price and the formula for variation in the price, if any.
- h) Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

(B) Approval of Board of Directors

Following Related Party Transactions shall require prior approval of the Board of Directors of the Company:

- (i) Related Party Transactions in which the directors or the Key Managerial Personnel are concerned or interested.
- (ii) Transactions specified in Section 188(1) of the Act which are not in the ordinary course of business and/or not on arm's length terms.
- (iii) Material Related Party Transactions which are proposed to be placed before the Shareholders for approval.
- (iv) Related Party Transactions where Audit Committee of the Company is of the opinion that the same should be brought before the Board of Directors or if the Board of Directors *suo-moto* decides to review any such transaction.

- (v) Related Party Transactions for which approval of the Board of Directors is mandatory under any applicable law for time being in force.
- (vi) Any Material Modification to the Related Party Transactions already approved by the Board of Directors.
- (vii) Any other transaction as may be prescribed by the Shareholders from time to time.

Provided that Related Party Transactions referred to in Clause (B) (ii) of the approval of Board of Directors above, shall not require approval of the Board of Directors of the Company if it is entered into between the Company and its wholly-owned subsidiary company whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.

(C) Approval of Shareholders

1. Following Related Party Transactions shall require prior approval of the Shareholders of the Company:
 - (i) Material Related Party Transactions and Material Modifications thereto.
 - (ii) Transactions specified in Section 188(1) of the Act which -
 - are not in the ordinary course of business and/or not on arm's length terms; and
 - exceeds the threshold specified in Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014, including any statutory modification or reenactment thereof
2. No member of the company shall vote on the resolution to approve any transaction mentioned in Clause (C)(1)(ii) of the approval of the Shareholders above, if such member is a related party to the proposed contract or arrangement.
3. No Related Party shall vote to approve any transaction mentioned in Clause (C)(1)(ii) of the approval of the Shareholders above, whether the entity is a related party to the particular transaction or not.

Provided that approval of the Shareholders of the Company shall not be required for the following Related Party Transactions:

- (a) Transactions to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- (b) Transactions entered into between the Company and its wholly-owned subsidiary company whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.
- (c) Transactions entered into between two wholly-owned subsidiaries of the Company

whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.

- (d) Transactions in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized Stock Exchange within one day of the resolution plan being approved.
- (e) Transactions specified under contracts/ arrangements not to be considered as related party transactions of this Policy, subject to compliance of the applicable provisions of the Act and SEBI Listing Regulations.

Provided that for Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred to in Clause (C) (3) (a) of the approval of Shareholders of this Policy, the prior approval of the Shareholders of that listed subsidiary shall suffice.

5. CRITERIA FOR APPROVING THE RELATED PARTY TRANSACTIONS

1. The Audit Committee and Board of Directors shall review and consider the following factors while granting approval for a proposed Related Party Transaction:
 - (a) Type, material terms and particulars of the proposed transaction;
 - (b) Name of the Related Party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - (c) Tenure of the proposed transaction (particular tenure shall be considered);
 - (d) Value of the proposed transaction;
 - (e) Percentage value of the proposed transaction in terms of the Company's annual consolidated turnover for the immediately preceding financial year;
 - (f) Percentage value of the proposed transaction in terms of the subsidiary's annual standalone turnover for the immediately preceding financial year (*applicable only for the transactions involving a subsidiary company*);
 - (g) Justification as to why the transaction is in the interest of the Company;
 - (h) Copy of valuation report or other external party report, if any;

- (i) Percentage value of the proposed transaction in terms of the counter party's annual consolidated turnover for the immediately preceding financial year (*voluntary*);
- (j) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary company-
 - details of the source of funds in connection with the proposed transaction;
 - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments - nature of indebtedness, cost of funds, and tenure;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the transaction;
- (k) Any other information that may be considered appropriate/ relevant by Audit Committee.

2. Following information shall be provided in the notice of general meeting by which the approval of shareholders of the Company is sought for a proposed Related Party Transaction:

- (a) A summary of the information specified in Clause 1 of the criteria for approving the related party transactions this Policy;
- (b) A statement that the valuation or other external report, *if any*, relied upon by the Company in relation to the proposed transaction will be made available at the registered email address of the Shareholders;
- (c) name of the Directors and KMPs who are related, if any;
- (d) Any other information appropriate/ relevant for the Shareholders to take the decision on the proposed transactions.

6. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION

The Company Secretary shall at all times maintain a database of Company's Related Parties containing the names of individuals and companies, identified on the basis of the definition set forth above, along with their personal/ company details including any revisions therein.

The Finance & Accounts Team shall be provided with a complete list of related parties in respect of the Company and its subsidiaries. Any proposed transaction with Related Party shall be

communicated to the Company Secretary for consideration and approval by the Audit Committee and/or the Board of the Company. If the transactions are regular in nature, the Finance & Accounts Team shall seek an enabling approval from the Board with financial limit for such transaction each year.

The Related Party list shall be updated whenever necessary, as per intimation received by the Company Secretary and shall be reviewed on a quarterly basis.

In determining whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Related Party Transaction is in the interest of the Company and its stakeholders and whether there is any actual or potential conflict of interest between the related parties or between the related parties and the Company.

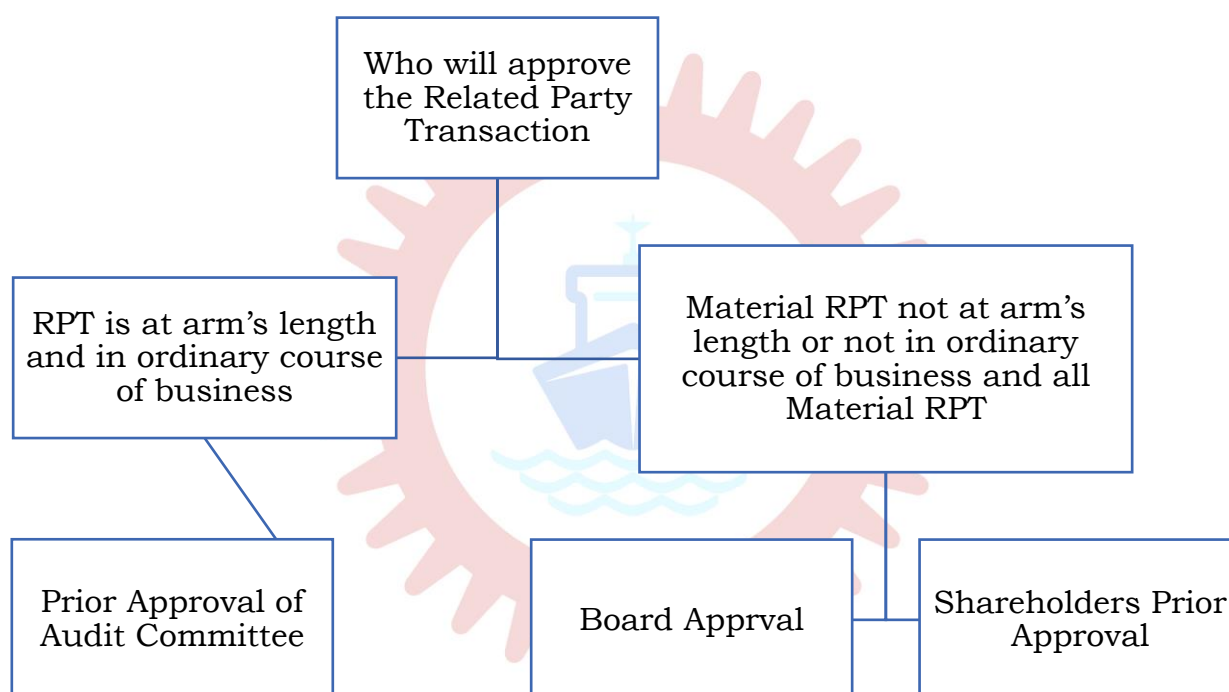
7. CONTRACTS/ ARRANGEMENTS NOT TO BE CONSIDERED AS RELATED PARTY TRANSACTIONS

1. Transactions or arrangements which are specifically dealt in terms of specific provision(s) of the applicable laws and executed under separate procedures/ approvals mechanism shall not be covered under this Policy, including but not limited to the following:
 - (a) Appointment & payment of remuneration (including any variation thereof) to Key Managerial Personnel;
 - (b) Payment of remuneration, fee, commission etc. to any Director;
 - (c) Shares based incentive plans for the benefits of Directors or KMPs approved by the Shareholders including ESOPs.
 - (d) CSR Contribution etc.
 - (e) Transaction referred to in Clause 3 of the contracts/ arrangements not to be considered as related party transactions and such other transactions or arrangements exempted under the Act and/ or SEBI Listing Regulations including those specified in Clause 2 below.
2. In terms of the applicable provisions of SEBI Listing Regulations, following events shall not be considered as Related Party Transactions:
 - (a) 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) Following corporate actions by the Company which are uniformly applicable/offered to all the shareholders in proportion to their shareholding:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and

➤ buy-back of securities

3. It is clarified that corporate actions by a Related Party which are uniformly applicable/ offered to all the shareholders of such Related Party including the Company, shall also not be considered as Related Party Transactions under this Policy.

8. AUDIT COMMITTEE/BOARD/SHAREHOLDER APPROVAL MECHANISM FOR ENTERING INTO RELATED PARTY TRANSACTIONS



9. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event any Director, KMP, any other officer or the Company become aware of any Related Party Transaction that is in deviation of this Policy and/ or has not been approved under this Policy prior to its consummation, such person shall promptly notify the matter to the Company Secretary of the Company who shall ensure that the same is placed before the Audit Committee/ Board of Directors (as applicable) at the earliest but not later than first meeting of the Audit Committee or Board of Directors held after the date of such intimation.

The Audit Committee/ Board of Directors (as applicable), shall consider all the relevant facts & circumstances regarding the said transaction and shall evaluate all the options available to the Company such as ratification, revision, termination etc. of the said Related Party Transaction. While reviewing and evaluating the aforesaid transaction, Audit Committee/ Board of Directors (as applicable) shall have the power to modify or waive any procedural requirement of this Policy.

10. RECORDS

The Company shall maintain adequate records, either physically or electronically, as required under applicable laws, giving separately the particulars of all contracts or arrangements to which this policy applies.

11. REVIEW

The Policy shall be reviewed by the Board at least once every three years and updated accordingly.

12. DISCLOSURES

The Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.

13. AMENDMENT

Company Secretary and Chief Financial Officer are jointly authorized to amend any provision of the Policy to give effect to any change/amendment notified by Ministry of Corporate Affairs or SEBI in the Act or Listing Regulations or otherwise, from time to time. Such changes/ amended policy shall be placed before the Audit Committee and Board of Directors for noting and ratification. In case any provision of this Policy is contrary to or inconsistent with the provisions of the Act, SEBI Listing Regulations and/ or any other applicable law for time being in force, the latter shall prevail.
