



KOTHARI FERMENTATION AND BIOCHEM LIMITED

CIN: L72411DL1990PLC042502

Regd. Office: 16, Community Centre, First Floor, Saket, New Delhi-110017

Tel: 011-40590944, E-Mail info@Kothariyeast.in

Website: www.kothariyeast.in

POLICY
ON
RELATED PARTY TRANSACTIONS
(RPT)

1. Preamble

The Board of Directors of the Company has adopted this policy with respect to Related Party Transactions, in compliance with the requirements of the Section 188 and other applicable provisions of Companies Act 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 2(1)(zb), Regulation 2(1)(zc) & Regulation 23 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 including any modification(s) / amendment(s) / re-enactment(s) thereof ("SEBI LODR"), Industry Standards on "Minimum Information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions" ("ISN").

The Audit Committee will review and may amend this policy from time to time.

This policy is intended to ensure procedural fairness, proper approval and reporting of transactions between the Company and any of its related parties.

2. Scope of the Policy

The objective of this Policy is to set out:

- (a) the basis of identifying related parties of the Company as well as related party transactions,
- (b) the materiality thresholds for related party transactions and
- (c) the manner of entering into transactions between the Company and its related parties based on the Act, read with the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. Definitions

3.1 "Act" means the Companies Act, 2013, and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.;

3.2 "Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated parties, so that there is no conflict of interest; guidance may be taken from provisions of Transfer Pricing under the Income Tax Act, 1961.

3.3 "Audit Committee" shall mean the audit committee constituted by the Board from time to time, in accordance with the provisions of the Act and the SEBI Listing Regulations.

3.4 "Associate Company" means any other Company, in which the 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 purpose of this clause, "**significant influence**" means control of at least twenty per cent of total share capital, or business decisions under an agreement.

3.5 "Board of Directors" or "Board" means the collective body of the Directors of the Company, as

constituted from time to time, in line with the provisions of the Act and the SEBI Listing Regulations.

3.6 “Company” means Kothari Fermentation and Biochem Limited.

3.7 “Control” shall have the same meaning as defined in **SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.**

3.8 “ISN” means Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions”, including any modification(s) / amendment(s) / re-enactment(s) thereof.

3.9 “Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities, and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining the ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;

3.10 “Relative” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed thereunder:

3.11 “Related Party” shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

The following shall also be treated as the Related Party –

- a. All persons or entities forming part of the promoter or promoter group (including entities over which the promoter or promoter group may have control or significant influence), irrespective of their shareholding;
- b. Any person/entity holding equity shares in the Company, either directly or on a beneficial interest basis, at any time during the immediately preceding financial year to the extent of 10% or more.

3.12 “Related Party Transaction” or “RPT” have the meaning as defined under Section 188 of the Act read with Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended, and shall mean a transaction involving a transfer of resources, services or obligations between:

- a. The Company or any of its subsidiaries, on one hand, and a related party of the Company or any of its subsidiaries, on the other hand;
- b. The Company 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 Company or any of its subsidiaries 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, including but not limited to the following –
 - 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. appointment to any office or place of profit in the Company, its subsidiary or associate company
- g. under writing the subscription of any securities or derivatives thereof, of the Company.

Following shall not be considered a Related Party Transaction of the Company in terms of SEBI Listing Regulations:

(a) the issue of specified securities on a preferential basis, subject to compliance with the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

(b) corporate actions which are uniformly applicable/offered to shareholders in proportion to their shareholding, such as payment of dividend, subdivision or consolidation of securities by the Company, issuance of securities by way of a rights issue or a bonus issue and buy-back of securities.

(c) retail purchases from Kothari Fermentation and Biochem Limited by its directors or employees, without establishing any business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

(d) The remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group provided that the same is not material in terms of the provisions of Regulation 23(1) of SEBI LODR.

3.13 “Material Related Party Transaction” in terms of SEBI LODR, means a transaction entered/ to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, if it exceeds the following thresholds:

Consolidated Turnover of Listed Entity	Threshold
(I) Up to Rs. 20,000 Crore	10% of the annual consolidated turnover of the Company
(II) More than Rs. 20,000 Crore to upto Rs. 40,000 Crore	Rs. 2,000 Crore + 5% of the annual consolidated turnover of the Company above Rs. 20,000 Crore
(III) More than Rs. 40,000 Crore	Rs. 3,000 Crore + 2.5% of the annual consolidated turnover of the Company above Rs. 40,000 Crore or Rs. 5,000 Crores, whichever is lower.

Explanation: For the purpose of computing the thresholds stated above, the annual consolidated turnover of the Company shall be determined based on the last audited financial statements.

These thresholds are prescribed under Regulation 23 of SEBI LODR and shall stand automatically modified in line with any regulatory amendments.

3.14 “Material Modification” in terms of SEBI LODR, means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty percent) or more, in the relevant previously approved related party transaction.

3.15 “Key Managerial Personnel” or “KMP” shall have the meaning as defined under Regulation 2(1)(o) of the SEBI Listing Regulations read with Section 2(51) of the Companies Act, 2013, as amended from time to time and includes any person so authorized and designated by the Board of Directors of the Company as KMP.

Any other term not defined here shall have the same meaning as defined in the Act, the SEBI Listing Regulations, or any other applicable law or regulation, each as amended.

4. Manner of dealing with Related Party Transactions(RPT) and Materiality Thresholds

- **Ascertaining Related Party**

- a) Every director/KMP and promoters shall at the first meeting of the Board in which he participates as a director/KMP and thereafter at the first meeting of the Board 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, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding in Form MBP-1 and shall also provide the list of relatives which are regarded as related party as per Act and SEBI LODR.
- b) The Company Secretary based on the declaration in Form MBP-1 and other available information, shall identify all related parties.
- c) The Company shall identify related parties as per the definition provided in the Act and SEBI LODR

CFO and Company Secretary shall at all times maintain a database of the Company's Related Parties & it shall be updated whenever necessary and reviewed by the Audit Committee/Board of Directors at regular intervals.

- **Identification and validation of related parties' transactions**

- a) Every Director, KMP, CEO/CFO & the Departmental Heads will be responsible for providing prior Notice to the Company Secretary/CFO of any potential transaction with a Related Party.
- b) Audit Committee will ascertain whether existing/proposed transaction(s) are on an arm's length basis and in the ordinary course of business, having consideration to the guidelines given as per ANNEXURE I, wherever applicable.
- c) Audit Committee also ascertain whether a transaction constitutes a Related Party Transaction requiring compliance with this policy.

- **Materiality of Transaction:**

- a) **As per SEBI LODR:**

Brand Usage or Royalty: 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.

Any other Transaction: A 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, exceed the threshold for Material Related Party Transaction as defined at clause no. 3.13 above.

- b) **As per the Act:**

RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its powers) Rules, 2014, as amended from time to time, and exceed limits provided under the said rules.

- **Related Party Transactions Statutory Approvals:**

- a. **Audit Committee Approval**

- **Prior approval of the Audit Committee is required for:**

- I. All RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transactions with Related Parties as per the provisions of SEBI LODR.
 - II. All RPT above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of the Company is a party but the Company is not a party, if the value of such transaction exceeds the lower of the following:
 - ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
 - the threshold for Material Related Party Transaction as defined in Clause No. 3.13 above.
 - III. All RPTs above Rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a Company is a party but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least one year, if the value of such transaction exceeds the lower of the following:
 - ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
 - the threshold for Material Related Party Transactions of the Company.

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the audit committee.

- **Prior Approval of the audit committee shall not be required for:**

- I. RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI LODR are applicable to such listed subsidiary.
- II. RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.
- III. RPT or subsequent material modifications of RPT (other than those RPT stipulated under Section 188 of the Act) 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.
- IV. RPT 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.

Provided that Members of the Audit Committee, who are independent directors, shall only approve RPTs.

- **Ratification of Related Party Transactions**

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- I. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- II. the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- III. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- IV. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- V. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee, and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the company against any loss incurred by it.

- **Omnibus Approval by the Committee**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 188 of Companies Act, 2013 and read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time. The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

The Company shall, while placing any proposed Related Party Transaction before the Committee for review and approval, provide the information in the format specified in the ISN and such other information as may be called for by the Audit Committee:

The ISN shall not be applicable to:

- Transactions exempted under Regulation 23(5) of the SEBI LODR; and
- Quarterly review of RPTs by the Audit Committee in terms of Regulation 23(3)(d) of SEBI LODR.
- Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including those that are approved by way of ratification) do not exceed rupees one crore.

- I. The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with this Policy, and such approval shall also be applicable in respect of transactions which are repetitive in nature (either in the past or in the future);
 - II. The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;
 - III. The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions, in aggregate, that can be entered into in a year, maximum value per transaction which can be allowed, maximum value of transaction during the year (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.
 - IV. Provided that where the need for RPT cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding ₹ 1 crore per transaction;
 - V. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given;
 - VI. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

b. Shareholders' Approval

- **As per the Companies Act, 2013**

The transactions, which are not in the ordinary course of the business and not on arms' length basis and which exceeds the limits, as mentioned under Section 188 of Companies Act, 2013 and read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, require approval by the Board and subsequent prior approval of the shareholders as well. Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such RPT.

- **As per SEBI (Listing Obligations & Disclosure Requirements), Regulations 2015**

All the Material RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR, are placed before the shareholders for approval

and 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.

- **Related Party Transactions Not Approved Under This Policy**

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee and/or Board, as applicable. The Committee/Board shall evaluate the transaction and may decide such action as it may consider appropriate, including ratification, revision, or termination of the Related Party Transaction.

- **Review and approval of Related Party Transaction**

The Board and Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- a) Name of party and details explaining nature of relationship;
- b) Name of the director or KMP, who is related, if any;
- c) Nature of transaction and material terms thereof, including the value, If any;
- d) Business rationale for entering into such a transaction;
- e) Internal Auditor's report and supporting documents, if any, are available on such transaction.
- f) Nature, material terms, monetary value, and particulars of contract or arrangement;
- g) Whether the Related Party Transaction is Fair and on arm's length basis
- h) Whether the Related Party Transaction would affect the independence of an independent

Director and

- i) Any other information relevant or important for the Committee to take a decision on the proposed resolution.
- j) Any other relevant information or such information as may be prescribed under SEBI LODR and ISN.

5. DOCUMENTATION

- The Company shall maintain a register, physically or electronically, giving separately the particulars of all contracts or arrangements to which this policy applies and after entering the particulars, such register shall be placed/taken note of before the next meeting of the Board and signed by all directors present at the meeting.
- The Company shall maintain such register at the Corporate Office of the Company and provide extracts from such register to a member of the Company on his request, as per the applicable provisions of the Act.
- The register to be kept under this section shall also be produced at the commencement of every AGM of the Company and shall remain open and accessible during the continuation of the meeting to any person having the right to attend the meeting.
- The register shall be preserved permanently and shall be kept in the custody of the Company Secretary.

6. REPORTING & DISCLOSURES

The Company shall comply with all the reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws, including the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

7. REVIEW AND AMENDMENT

Though the Audit Committee or Board shall have all the right to amend this Policy, this Policy may be amended because of any regulatory amendments, clarifications, etc. in the applicable laws. The amendment shall be deemed to be effective from the date on which such regulatory amendments, clarifications, etc., come into force. The adequacy of this Policy shall be reviewed and reassessed by the Board once every three years, and appropriate recommendations shall be made to the Board to update the Policy accordingly.

Annexure-I

Guidelines on Determination of Basis of Arm's Length Price

These are guidelines to employees on applying the arm's length principle. The guidance on arm's length principle is applicable to all transactions, both local and cross-border, between Company and its related parties.

Arm's Length Basis

The arm's length principle requires the transaction with a related party to be made at similar terms & price under comparable conditions and circumstances as a transaction with an independent party.

The application of arm's length principle involves the identification of comparable situation(s) or transaction(s) undertaken by independent parties against which the related party transaction or margin is to be benchmarked. This step is commonly known as "comparability analysis". It entails an analysis of the similarities and differences in the conditions and characteristics that are found in the related party transaction with those in an independent party transaction.

Factors Affecting Comparability

a- Characteristics of Goods, Services or Intangible Properties under transactions

The specific characteristics of goods, services or intangible properties play a significant part in determining their values in the open market. For instance, a product with better quality and more features would, fetch a higher selling price.

b- Analysis of Functions, Risks and Assets

Proposed pricing depends on functional characteristics of the assets used and risks assumed. For instance, an entity selling a product with warranty should earn a higher return compared to another entity selling the same product without the provision of warranty. Likewise, a product with a reputable branding is expected to fetch a higher return compared to that of a similar product without the branding.

c- Commercial and Economic Circumstances

Prices may vary across different markets even for transactions involving the same property or services. In order to make meaningful comparisons of prices or margins between entities/transactions, the markets and economic conditions in which the entities operate or where the transactions are undertaken should be comparable.

d- Government policies and regulations

Such as price controls etc. may have an impact on prices and margins. Hence, the effects of these regulations should also be examined as part of the examination for the comparability of the market and economic conditions.

e- Commercial parlance, customs and trade practices

Custom and trade practices in respect of particular transaction(s) are important in determining arm's length basis. For example, interest-free security deposits given in property lease transactions.

Concluding basis of Arm's length price

Based on comprehensive assessment of outcome of comparability analysis, significant similarities and differences between the transactions/entities in question and those to be benchmarked against, adjustments could be made for material differences identified.

This Policy is amended and approved by the Board on and effective from 13th February, 2026.