



POLICY ON RELATED PARTY TRANSACTION AND MATERIALITY OF RELATED PARTY TRANSACTIONS

I] INTRODUCTION

1. This policy on related party transactions and materiality of Related Party Transactions is formulated in terms of Clause 49 VII and VIII of the listing agreement (to be effective from 1st October, 2014) which provides that the Company shall formulate a policy on “materiality of related party transactions” and also on dealing with related party transactions. The policy takes in to account various provisions on related party transactions mentioned in Clause 49 of the listing agreement and also in the Companies Act, 2013.
2. The term Related Party is defined in Section 2(76) of the Companies Act, 2013 and Clause 49 VII B of the listing agreement.
3. The definition of Related Party in Clause 49VII B of the listing agreement is broader than the definition given in Section 2(76) of the Companies Act, 2013. Hence, this policy is formulated to cover transactions with “Related Parties” as defined in the Companies Act, 2013 as well as Clause 49 VII of the listing agreement.
4. The Related Party Transaction Policy may be amended at any time and is subject to
 - a) amendments to the Companies Act, 2013 from time to time
 - b) amendments to the Listing Agreement entered between the Company & BSE from time to time
 - c) further guidance from the SEBI
 - d) consequential actions taken by the Board of Directors or the Audit Committee of the Company

The company to the extent possible does ensure that there are no related party transaction and if entered into due to excegencies, shall enter into the transaction as if entered into between unrelated parties.

No Related Person Transaction may be entered into by the Company, except in accordance with the provisions of this Policy.

5. This policy is subject to the amendments in the Companies Act, 2013, Listing Agreement with the Bombay Stock Exchange from time to time and shall deemed to be amended accordingly in the light of the said amendments itself.



DEFINITIONS

“Arm’s length transaction” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Audit Committee” means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the listing agreement and the Companies Act, 2013.

“Board” means the Board of Directors of Kwantum Papers Limited.

“Company” means Kwantum Papers Limited.

“Policy” means this Policy, as amended from time to time.

II] Meaning of Related Party

A related party is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a Company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013; or

As per Section 2(76) of the Companies Act, 2013 Related Party with reference to a company, means:

- (i) Director or Relative of Director
- (ii) Key managerial personnel (KMP) i.e. Managing Director, Whole-time Director, Company Secretary and Chief Financial Officer or Relative of KMP
- (iii) a firm, in which a director, or his relative is a partner
- (iv) a private company in which a director is a member or director
- (v) a public company in which a director is a director and holds along with his relatives, more than 2% of its paid-up share capital



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(vi) any body 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

(vii) any person on whose advice, directions or instructions a director is accustomed to act

Nothing in sub-clauses (vi) and (vii) shall apply to the advice etc. given in a professional capacity

(viii) any company which is subsidiary or an associate company of the company; or

b. who has control or joint control or significant influence over the company.

The term control means control as defined in Regulation 2(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011 which provides that “control” includes:

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.

2. An entity is related to a company if any of the following conditions applies:

a. The entity is a related party under Section 2(76) of the Companies Act, 2013, as defined above; or

b. The entity and the company are members of the same group (which means that subsidiary and fellow subsidiaries are related to the others); or

c. The entity is an associate or joint venture of the Company (or an associate or joint venture of a member of a group of which the other entity is a member); or

d. Both entities are joint ventures of the same third party; or

e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is



itself such a plan, the sponsoring employers are also related to the company;
or

- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity).

III] Provisions as to Related Party Transactions in the Companies Act, 2013 and Listing Agreement:

1. Under the Companies Act, 2013 the related party transactions are governed by Section 188 of the Companies Act, 2013 which covers only following transactions of commercial nature:
 - (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;
 - (g) underwriting the subscription of any securities or derivatives thereof, of the company.
2. The transactions of financial nature like giving of loan, guarantee and providing security to "any person in whom any director is interested" are governed by Section 185 of the Companies Act, 2013 which prohibits such transactions, whereas inter corporate loans, investment and guarantee, with or without related parties, are governed by Section 186 of the Companies Act, 2013.
3. Clause 49 VII B of the Listing Agreement has much wider scope and meaning, covering all related party transactions whether commercial or financial in nature as mentioned above. Moreover, it provides different regulatory provisions for related party transactions and **Material** related party transactions. It requires all related party transactions to be executed with prior approval of the Audit Committee and **all Material related party transactions** to be executed with the prior approval of Audit Committee **and approval of shareholder by special resolution where the related parties shall abstain from voting thereon.**
4. This policy is formulated for all related party transactions and Material related party transactions considering provisions of the Companies Act, 2013 as well as Clause 49 VII of the listing agreement.



IV] Meaning of Related Party Transactions:

1. As per Clause 49 VII of the listing agreement, a related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

V] Meaning of Material related party transaction:

1. Provided that a transaction with a related party shall be considered material 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.
The annual turnover and net worth of the company and relevant percentage are as under:
2. All existing material related party contracts or arrangements which will continue beyond a FY shall be placed for approval of the shareholders for approval by special resolution and the related parties shall abstain from voting on such resolution, if applicable and necessary.
3. The details of all the existing material related party transactions which are likely to continue beyond a FY, wherever required as per the Companies Act, 2013, Listing agreement with BSE and which shall be placed for approval of the shareholders at the next Annual General Meeting, will also be placed before the Board.

VI] Approvals, Disclosures and related provisions:

No Related Party Transaction shall be entered in to by the Company without complying with the following provisions:

1. The Company shall obtain prior approval of the Audit Committee.
2. The Company shall also obtain consent of the Board of Directors given by a resolution at a meeting of the Board.
 - i) The agenda item of the Board meeting shall disclose:
 - (a) the name of the related party and nature of relationship
 - (b) the nature, duration of the contract and particulars of the contract or arrangement
 - (c) the material terms of the contract or arrangement including the value, if any



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- (d) any advance paid or received for the contract or arrangement, if any
 - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
 - (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors and
 - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- ii) No Interested Director shall be present at the meeting during discussions on the subject matter of the resolution relating to related party transaction.
3. i) The Company shall obtain approval of the Company by a special resolution for **any Related Party Transaction within the meaning of Section 188 of the Companies Act, 2013 as mentioned in para III 1. above**, unless the transaction entered in to by the Company is in the ordinary course of business and on arm's length basis.
- ii) The Company shall obtain approval of the Company by a special resolution for any **Material Related Party Transaction**.
- iii) All existing related party contracts or arrangements which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first general meeting subsequent to October, 2014. However, the Company, may choose to get such contracts approved by the shareholders even before 1st October, 2014.

Provided that:

- (a) No member of the company shall vote on such special resolution, if such member is a Related Party.
 - (b) The special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.
 - (c) The explanatory statement to the notice of general meeting shall contain name of the related party, name of director or KMP who is related, if any, nature of relationship, nature, material terms, monetary value and particulars of the contract or arrangement and any other information relevant or important for the members to take a decision on proposed resolution.
4. Details of all related party transactions shall be disclosed quarterly along with the compliance report on corporate governance.



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5. Every contract or arrangement with Related Party entered in to by the Company shall be referred to in the Board's Report to the shareholders along with justification for entering in to such contract or arrangement.
6. Board of Directors shall be monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

VII] Provision for Omnibus Approval :

In pursuance with the provisions of Clause 49 (VII) (D), all Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. 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 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;

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.

d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

"Provided that sub-clause 49 (VII)(D) and (E) shall not be applicable in the following cases:

(i) transactions entered into between two government companies;

(ii) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation(i): For the purpose of Clause 49(VII), "Government company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."



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Explanation(ii): For the purpose of Clause 49(VII), all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not."