

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

### **1. Preamble**

This policy is framed by KMC Speciality Hospitals (India) Limited (“the Company”) upon the approval and recommendation of its Board of Directors and Audit Committee as per requirement of Section 188 of the Companies Act, 2013 (“the Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

### **2. Definition and Interpretations**

- a) “**Arm’s Length Transaction**” shall mean any transaction between two or more Related Parties that is conducted as if they are unrelated so that there is no conflict of interest in the said transaction.
- b) “**Audit Committee** (“the Committee”) shall mean the Committee of Board of Directors constituted under provisions of SEBI Listing Regulation and the Act.
- c) “**Board**” means the board of directors of the Company.
- d) “**Director**” shall mean the Directors of the Company.
- e) “**Related Party**” shall have the meaning as per the Act & SEBI Listing Regulations, which is reproduced below:

As per Companies Act, 2013: Related party with reference to a company means-

- (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) 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.
- (g) any person on whose advice, directions or instructions a director or manager is accustomed to act  
Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;
- (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: Reg2 (1) (zb), “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 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.

- f) **“Related Party Transactions”**: shall have the meaning as per the Act & SEBI Listing Regulations which is reproduced below:

As per Companies Act, 2013: As per Section 188 of the Companies Act, 2013, any contract or arrangement with a related party 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: —

- (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;

As per SEBI LODR: “Related Party Transaction” means transaction involving a 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 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

- g) **“Material Modification in Related Party Transaction”** shall mean 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.

- h) **“Material Related Party Transactions”** 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, 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.

Capitalized terms used but not defined herein shall have the same meaning assigned to such terms under the Act, the SEBI Listing Regulations, and / or other Applicable Laws.

#### **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 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:

(d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time

(e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

#### **3. Identification of Related Party and Related Party Transaction**

- (i) Each Director and KMP of the Company shall at the time of their appointment, periodically as required under Applicable Laws and whenever there is a change in the information already submitted provide the information of their Related Parties in the form and manner required by the Company under applicable laws.
- (ii) The information shall be placed before the Committee and the Board of Directors as per regulatory requirements.
- (iii) Such Director and KMP shall also provide any additional information that the Committee or the Board may require from time to time.

- (iv) 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.

#### **4. Review and Approval of Related Party Transactions;**

- (i) All Related Party Transactions and subsequent material modification of transactions of the Company with related parties shall require prior approval of the Committee.
- (ii) Only those members of the Committee, who are Independent Directors, shall approve Related Party Transactions.
- (iii) 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.
- (iv) In case the members of the Committee with no interest in the proposed Related Party Transaction do not constitute the quorum, such Related Party Transaction shall be referred to the Board of Directors for necessary approvals.
- (v) 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.
- (vi) Shareholders' Approval is required to be obtained for the Related Party Transactions as per the requirements under the Act and SEBI Listing Regulations.
- (vii) 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.
- (viii) Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material.
- (ix) 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 as may be specified under the Act and SEBI Listing Regulations.

#### **5. Approval and Threshold Limits for Related Party Transactions:**

- (i) The Committee shall review and approve all Related Party Transactions except those which has been specifically exempted by the Act and the SEBI Listing Regulations.
- (ii) The Board of Directors shall review and approve the Related Party Transactions which are not in ordinary course of business and not at Arm's length basis.
- (iii) The Shareholders of the Company shall review and approve:
  - (a) all material related party transactions and material modifications to the material Related Party Transactions. Threshold for materiality shall be as per the Act and SEBI Listing Regulations.

(b) Related Party Transactions exceeding the limits specified under the Act and SEBI Listing Regulations.

**6. Factors to be considered by the Audit Committee / Board while considering the proposal to approve a Related Party Transactions:**

- (i) 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
- (ii) 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
- (iii) Whether the Related Party Transaction would affect the independence of an independent Director
- (iv) 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.
- (v) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction.
- (vi) 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
- (vii) 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

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.

**7. Criteria for granting Omnibus Approval:**

In the case of Related Party Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Committee may grant omnibus approval for such transactions, provided that the Committee shall lay down criteria for granting such approval.

The Committee shall consider inter-alia the following factors while granting omnibus approval:

- (a) Repetitive and routine nature of the transaction
- (b) Such transactions are in the best interest of the Company
- (c) The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into.
- (d) The indicative base price / current contracted price and the formula for variation in the price if any and

(e) Such other conditions as the Committee may deem fit

In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. However, the Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

#### **8. 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.

#### **9. 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
- (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
- (v) any other condition as specified by the Audit Committee:

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 listed entity against any loss incurred by it.

#### **10. Disclosure**

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.

The Company shall disclose transactions with Related Parties specifying amount at the end of the year and the

maximum amount of loans/ advances/ Investments outstanding during the year, advanced by the Company to its subsidiaries and associates or vice versa in the Annual Report.

The Company shall also include disclosure with respect to transaction with any person or entity belonging to the promoter/promoter group, which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual result.

The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Securities and Exchange Board of India from time to time, and publish the same on its website. 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.

#### **11. 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.

#### **12. Amendments to the policy**

This Policy may be amended by the Board from time to time.

Any changes or modification in the Policy as recommended by the Audit Committee would be placed before the Board for approval. If any Act /Rules/ Regulations which makes any of the provisions of this Policy inconsistent with the Act/Rules/Regulations, the provisions of the Act/Rules/Regulations would prevail over this Policy.

This Policy shall be reviewed once every three years in line with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Policy shall be posted on the website of the Company.

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