

KERNEX MICROSYSTEMS (INDIA) LIMITED
(CIN - L30007TG1991PLC013211)
Registered office: Hardware Technology Park, TSIIC Layout, Imarath
Kanch, Raviryal (V), Maheswaram (M), Hyderabad – 500 005.
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Related Party Transaction Policy
(RPT POLICY)
(With effect from 1st October, 2014)

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RELATED PARTY TRANSACTION POLICY

1) PREAMBLE:

KERNEX is committed to maintaining high standards of corporate governance and has always been committed to good corporate governance practices. Company Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability in all facets of its operations and in its interactions with its stake holders, including shareholders, employees, the government and the lenders. The Company's objective remains to create long term value for shareholders.

Board of Directors has adopted this policy upon recommendation of the Audit Committee. The said policy includes manner of dealing with Related Party Transactions ("the policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules there under and Clause 49 of the Equity Listing Agreement with the Stock Exchanges. Amendments from time to time, to this policy, if any, shall be considered by the Board of Directors based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

2) OBJECTIVE OF THE POLICY

The Equity Listing Agreement with the Stock Exchange mandates formulation of a policy on materiality of Related Party transactions and also dealing with Related Party transactions. This policy has been framed for complying with this requirement.

3) DEFINITIONS

3.1 "Act" means Companies Act, 2013

3.2 "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.

3.3 “Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

3.4 “Board” means Board of Directors of the Company

3.5 “Company” means Kernex Microsystems (India) Limited

3.6 ‘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 definition, ‘significant influence’ means control of at least 20% of the total share capital, or of business decisions under an agreement.

3.7 ‘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.

3.8 ‘Interested Director’ means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals, in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company.

3.9 ‘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 the way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, 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 the way of remuneration, salary, fee, commission, perquisites, any rent free accommodation or otherwise.

3.10 “Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a Whole-time director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

3.11 “Material Related Party Transaction” means a transaction with a related party 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.

3.12 “Policy” means Related Party Transaction Policy.

3.13 “Related Party” means a person or entity:

3.14 “Related Party” means a person or entity:

- (i) Which is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) Which is a related party under applicable accounting standards.

Related party under Section 2(76) of the Companies Act, 2013 and rules made thereof, which are as follows:

- i. A director or his relative;
- ii. A key managerial personnel or his relative;
- iii. A firm, in which a director, manager or his relative is a partner;
- iv. A private company in which a director or manager is a member or director;
- v. 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;
- vi. 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;

vii. Any person on whose advice, directions or instructions a director or manager is accustomed to act:

viii. Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

ix. Any company which is –

A. a holding, subsidiary or an associate company of such company; or

B. a subsidiary of a holding company to which it is also a subsidiary;

x. Director or key managerial personnel of the holding company or his relative with reference to a company.

3.15 "Related Party Transaction" means any contract or arrangement with a related party with respect to:

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

3.16 "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. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

Definitions as per Clause 49 of the Listing Agreement

Following are the key definitions with respect to Related Party and RPTs as per Clause 49 of the Listing Agreement

Related Party:

An entity shall be considered as Related Party to the company if:

- i. Such an entity is Related Party under Section 2(76) of the Companies Act, 2013; or
- ii. Such an entity is a Related Party under the applicable accounting standards.

Related Party Transaction

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.

4) Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

4.1 Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

4.2 Process for Monitoring Related Parties

The Directors and KMPs are mandated to promptly communicate to the Secretarial team any changes in the initial disclosure submitted by them. The Secretarial team shall update the Reference List on the basis of intimations received from the Directors/ KMPs or changes in corporate or investment structure as informed from time to time.

4.3 Prohibitions related to Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee/Board. Further, all Material Related Party Transactions and transactions as per the provisions of Section 188 of the Companies Act, 2013 & rules made thereof as amended from time to time shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

4.4 Review and Approval of Related Party Transactions

4.4.1 Audit Committee

Every Related party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by a circular resolution. However, the audit committee may grant omnibus approval for Related Party Transaction proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on an arm's length basis, subject to the compliance of the conditions contained in Clause 49 of the Listing Agreement.

To review a related party transaction, the Committee shall be provided with necessary information to the extent relevant.

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 shall not require prior approval of the Audit Committee.

Any member of the Committee who has a potential interest in any related party transaction shall abstain from discussion and voting on the approval of the related party transaction.

Omnibus approval by Audit Committee

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

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
- (ii) Such other conditions as the Audit Committee may deem fit;

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations amendments to these factors shall require a prior approval of the Committee.

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.

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

4.4.2 Board

The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or listing agreement and/or transactions referred to it by the Audit Committee.

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 Transaction.

4.4.3 Shareholders

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution. All transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis shall also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

5) Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a 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.

6) Amendments to the Policy

Any Subsequent amendment/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this policy.

7) Disclosure(s)

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.