

## **KAMAT HOTELS (INDIA) LIMITED**

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### **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 Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations) which provides that the Company shall formulate a policy on “materiality of related party transactions” and on dealing with related party transactions. The policy takes in to account various provisions on related party transactions mentioned in Listing Regulations and also in the Companies Act, 2013.
2. The term Related Party is defined in Section 2(76) of the Companies Act, 2013 and Sub Regulation (1)(zb) of Regulation 2 of the Listing Regulations.
3. The definition of Related Party in Sub Regulation (1)(zb) of Regulation (2) of the Listing Regulations 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 Listing Regulations.

#### **II] Meaning of Related Party**

An entity shall be considered as related to the company if any of the following conditions applies:

- a. Such entity is a related party under Section 2(76) of the Companies Act, 2013, as defined below:

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.
- (vi) any body corporate whose Board of Directors, managing director is accustomed to act in accordance with the advice, directions or instructions of a director.
- (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.** Such entity is a related party under the applicable accounting standards.

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

1. Under the Companies Act, 2013 the related party transactions are governed by Section 188 of the Companies Act, 2013 which covers 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. As per Sub Regulation (1)(zc) of Regulation (2) of the Listing Regulations, 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. The Listing Regulations 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. However, the Audit Committee may give omnibus approval subject to certain conditions. Moreover, **all Material related party transactions**, barring few exceptions, requires **approval of shareholder by Ordinary Resolution where the related parties shall abstain from voting thereon.**

**IV] Meaning of Related Party Transactions:**

For the purpose of this policy Related Party Transaction means a transaction within the meaning of Section 188 of the Companies Act, 2013 or Sub Regulation (1)(zc) of Regulation (2) of the Listing Regulations as described in Clause III above.

A transaction with a related part shall be construed to include single transaction or a group of transactions in a contract.

**V] Meaning of Material related party transaction:**

1. 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 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
2. The annual consolidated turnover of the company and relevant percentage are as under:

Year	Rs. In Crores	
	Consolidated Turnover	10% of the annual consolidated turnover
As on 31 <sup>st</sup> March, 2014	160.27	16.02
As on 31 <sup>st</sup> March, 2015	163.64	16.36

3. All the existing related party contracts or arrangements which are continuing beyond 31<sup>st</sup> March, 2015 were approved by the Shareholders of the Company by way of Postal Ballot conducted by the Company vide notice dated 30<sup>th</sup> May, 2015.

4. The following are the details of all the existing material related party transactions which are continuing beyond 31/03/2015 and which are approved by the Shareholders by Special Resolution through Postal Ballot conducted by the Company vide notice dated 30<sup>th</sup> May, 2015.

Sr. No.	Details of material related party transactions	Amount of transaction
1	Business Contract Agreement (BCA) dated 1 <sup>st</sup> April, 1994 and Memorandum of Understanding (MOU) dated 12 <sup>th</sup> September, 2005 between the Company and Plaza Hotels Private Limited	Deposit of Rs. 60 Cr. under BCA and deposit of Rs. 20 Cr. under MOU and royalty for every year @ 1% of total revenue
2	Business Contract Agreement dated 07.01.2013, the Company to manage / operate a Heritage Hotel of Fort Mahodadhinivas Palace Private Limited, Fort Mahodadhi, Puri for 20 years w.e.f. 1 <sup>st</sup> April, 2013, with a renewal clause of further period of 10 years.	Royalty payable by Fort Mahodadhinivas Palace Private Limited to the Company - 10% of the Gross Revenue.
3	Loans to Orchid Hotels Pune Private Limited	Rs. 238.45 Cr. (upto 31 <sup>st</sup> March, 2015)
4	Loans to Fort Mahodadhinivas Palace Private Limited	Loan of Rs. 25 crores with a rate of interest of 12% p.a.
5	Corporate guarantee by the Company in favour of ICICI Bank Limited for the benefit of Orchid Hotels Pune Private Limited	Corporate Guarantee for Fund based facilities upto Rs. 164 crore and Non Fund based facility upto Rs. 15 crore and interest thereon in faor of ICICI Bank Limited.
6	Corporate guarantee dated 9 <sup>th</sup> September, 2010 by the Company in favor of Punjab National Bank (PNB) for the loan extended by PNB to Ilex Developers & Resorts Limited.	Corporate Guarantee to the extent of Rs. 10 crore in favor of PNB for the loan extended by PNB to Ilex Developers & Resorts Limited.
7	Corporate Guarantee dated 17 <sup>th</sup> July, 2013 for securitizing the loans taken by the Company under CDR Scheme: from Plaza Hotels Private Limited, Kamats Holiday Resorts (Silvassa) Limited, Ilex Developers and Resorts Limited, Fort Mahodadhinivas Palace Private Limited Fort Jadhavgadh Hotels Private Limited and Kamats Restaurants (India) Private Limited.	Plaza Hotels Private Limited, Kamats Holiday Resorts (Silvassa) Limited, Ilex Developers and Resorts Limited, Fort Mahodadhinivas Palace Private Limited Fort Jadhavgadh Hotels Private Limited and Kamats Restaurants (India) Private Limited have given

		<p>Corporate Guarantee to the extent of Rs. 385.83 Crore for securing the loans by the Company from CDR lenders.</p> <p>The exposure of Plaza Hotels Private Limited under various Corporate Guarantee for loans to the Company – 454.90 Crores.</p>
8	Corporate Guarantee availed by the Company from Orchid Hotels Pune Private Limited vide Deed of Guarantee dated 17 <sup>th</sup> July, 2013	Corporate Guarantee to the extent of Rs. 247.55 Crore for securing the loans taken by the Company from CDR lenders.
9	Deed of Undertaking dated 13 <sup>th</sup> January, 2012 from Dr. Vithal V. Kamat, Vikram V. Kamat, Plaza Hotels Private Limited, Talent Hotels Private Limited, KARwar Hotels Private Limited, Busybee Developers Private Limited and Grasshopper Developers Private Limited.	The said parties have given Undertaking for repayment of Loans from IL & FS Financial Services Limited and SMCF lenders out of the 50% of the sale proceeds, if any, of the properties specified in the Deed of Undertaking.
10	Personal Guarantee by Promoters of the Company viz. Dr. Vithal V. Kamat, Mr. Vishal V. Kamat and Mr. Vikram V. Kamat	<p>The Guarantors have extended corporate Guarantee through various deeds of Guarantee, details of which are as under:</p> <p><b><u>Non CDR Facilities –</u></b></p> <p>1. Dr. Vithal V. Kamat – Rs. 624.90 Crores</p> <p>2. Mr. Vikram V. Kamat – Rs.145.00 Crores</p> <p>3. Mr. Vishal V. Kamat –</p>

		<p>Rs. 25 Crores (Deed of Guarantee dated 2<sup>nd</sup> March, 2009)</p> <p><b><u>Facilities under CDR :</u></b></p> <p>Dr. Vithal V. Kamat and Mr. Vikram V. Kamat – Rs. 385.83 Crores (Deed of Guarantee dated 17<sup>th</sup> July, 2013)</p>
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**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. 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 Related Party Transaction 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.
3. 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
    - (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.
4. i) The Company shall obtain approval of the Company by an Ordinary resolution for **any Related Party Transaction in terms of first proviso of Section 188 of the Companies Act, 2013**, where the transaction to be entered into meets the criteria mentioned in Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time. The concerned Related Party(ies) shall abstain from voting. However, such approval shall not be required, if such Related Party Transaction is in the ordinary course of business and on arm's length basis.
- ii) The Company shall obtain approval of the Company by an Ordinary resolution for any **Material Related Party Transaction**. All entities falling within definition of related party shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Provided that sub - clause 2, 4(i) and 4(ii) of Clause VI shall not be applicable in case the transactions is 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.

5. Details of all related party transactions shall be disclosed quarterly along with the compliance report on corporate governance.
6. This policy on dealing with Related Party Transactions will be disclosed on the website of the Company, [www.khil.com](http://www.khil.com), and a weblink thereto shall be provided in the Annual Report of the Company.
7. 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.
8. The 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.
9. This policy is approved by the Board of Directors of the Company at its meeting held on 7th November, 2015.

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