

ZENOTECH LABORATORIES LIMITED

Policy on Materiality of and dealing with Related Party Transaction

I) Objective:

Related Party Transactions can present conflicts of interest which may be against the best interest of the company and its shareholders. Provisions of the Companies Act, 2013 (“Act”) read with the Rules framed thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, as amended from time to time, (“SEBI (LODR) Regulations, 2015”), provide for approval of certain related party transactions by Audit Committee/ Board/ Shareholders.

SEBI (LODR) Regulations, 2015, further requires a Company to formulate a policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions. Accordingly, Zenotech Laboratories Limited (“Zenotech”/“the Company”) has framed this Policy on Related Party Transactions (“Policy”).

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions & subsequent modifications thereof and
- (b) the manner of approval of related party transactions pursuant to the provisions of the Act, SEBI (LODR) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

II) Key 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 Committee of Board of Directors of the Company constituted pursuant to regulation 18 of SEBI (LODR) Regulations and Section 177 of the Act.

“**Board of Directors**” or “**Board**” in relation to a Company means the collective body of the directors of the Company.

“**Key Managerial Personnel**” in relation to a Company means

- i. the Chief Executive Officer, or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time director;
- iv. Chief Financial Officer;
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board and
- vi. such other officer as may be prescribed under the Act.

“**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 Memorandum & Articles of Association.

“**Related party**” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 and the rules framed thereunder or under the applicable accounting standards:

The following shall also be treated as the Related Party –

- (a) all persons or entities forming a part of the promoter or promoter group irrespective of their shareholding;

(b) any person or any entity, holding equity shares in the listed entity, as mentioned below, either directly or on a beneficial interest basis at any time during the immediately preceding financial year:

- (i) to the extent of 20% or more; or
- (ii) to the extent of 10% or more, with effect from April 1, 2023;

“**related party transaction**” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged.

Explanation – A “transaction” with a Related Party shall be construed to include single or a group of transactions in a contract.

The related party transaction (RPT) shall include transactions 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 w.e.f. April 1, 2023.

“**Relatives**” with reference to any person shall have the meaning as defined in Section 2(77) of the Act read with clause 4 of the Companies (Specification of definition details) Rules, 2014.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term/ provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

III) Threshold Limit for Materiality of Related Party Transactions

A transaction with a Related Party shall be considered to be ‘Material’ if transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 Crores (Rupees One Thousand Crores) or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 per cent (5%) of the annual consolidated turnover of the Company as per the immediately preceding audited financial statements of the Company.

IV) Threshold Limit for Material Modifications to Related Party Transactions

Any modification to an existing related party transaction leading to increase of 20% (twenty percent) or above (upward) from the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

V) Transactions which do not require approval

Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party, including following:

(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 by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. sub-division or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

VI) Manner of Dealing and Approval

a) Approval of Audit Committee:

All Related Party Transactions and subsequent material modifications thereof shall require prior approval of the Audit Committee of the Company. A Related Party Transaction to which the unlisted subsidiary (ies) of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

Provided that w.e.f April 1, 2023, a Related Party Transaction to which the unlisted subsidiary (ies) of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the standalone annual turnover of the subsidiary as per the last audited financial statements of the subsidiary.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions specified under SEBI (LODR) Regulations, 2015 and the Act.

For related party transactions rejected by the Audit Committee, the Committee's rationale/recommendations shall be put forth to the Board, if required under the Act or SEBI (LODR) Regulations, 2015.

b) Approval of Board:

All transactions specified under Section 188 of the Act shall require approval of the Board of Directors. However, no approval of the Board shall be required for transactions with related parties if such transactions are entered into by the Company in its ordinary course of business and on arm's length basis.

Approval of the Board shall also be required for Related Party Transactions which are intended to be placed before the shareholders for prior approval and such other transactions as referred to the Board by Audit Committee.

c) Approval of Shareholders:

Subject to the exceptions provided under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, all material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders of the Company. No related party with respect to the Company shall vote to approve such resolutions.

Transactions with related parties which are not in the ordinary course of business or at arm's length basis and exceeds the ceiling provided under Rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014 (as amended) read with Section 188 of the Act shall require prior approval of shareholders of the Company subject to exceptions provided under the Act.

The Company shall obtain omnibus shareholders' approval for material Related Party Transactions and that the shareholders' approval of omnibus Related Party Transactions approved in an Annual General Meeting (AGM) shall be valid up to the date of next AGM for a period not exceeding fifteen (15) months. In case of omnibus approvals for material Related Party Transactions, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one (1) year.

Whenever threshold for obtaining approval of the Audit Committee, Board or the Shareholders changes with amendment in the Act or SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 or any relaxation is granted in terms of applicability or effective date, then, irrespective of what is stated above, said amended threshold or relaxations become applicable to the Company and the Audit Committee shall be informed.

VII) 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 Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Audit Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

VIII) Disclosures

The Company shall submit to the stock exchange within the timelines as prescribed by the Securities and Exchange Board of India from time to time, the disclosures relating to Related Party Transactions in the format as specified by Securities and Exchange Board of India from time to time and publish the same on the website of the Company at www.zenotechlab.com.

IX) Policy Review

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the SEBI LODR.

In case of any subsequent changes in the provisions of the Companies Act, 2013 and SEBI LODR or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors. Provided that this policy shall be reviewed by the board of directors at least once every three years and updated accordingly.