



Krsnaa Diagnostics Limited

KRSNAA DIAGNOSTICS LIMITED

CIN: L74900PN2010PLC138068

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POLICY ON RELATED PARTY TRANSACTIONS

1. Purpose

Krsnaa Diagnostics Limited ("Krsnaa" or the "Company") has adopted this policy on Related Party Transactions (the "policy"), as required by the provisions of Section 188 of the Companies Act, 2013 ("Act") and the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015. The purpose of this policy is to establish and govern the procedure applicable to related party transactions covered within the ambit of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 as amended from time to time. This policy is intended to apply to all transactions where the Company is a participant and the related party has or is expected to have, direct or indirect interest.

2. Definitions

"Accounting Standards" means accounting standards notified under Section 133 of the Act.

"Audit Committee" means a committee of the Board of Directors constituted as per the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and the Companies Act 2013.

"Group" includes all the entities which are included in the consolidated financial statements of the Company.

"Key Management Personnel" ("KMP") means a person who is a KMP, as defined in subsection (51) of section 2 of the Act or KMP within the meaning of the Indian Accounting Standard (Ind AS) 24.

"Material Modification to RPTs and Material RPTs" means 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.

"Material transaction" means

- (a) 5% of the annual consolidated turnover of the Company as per its last audited financial statements, in case of transactions involving payments made with respect to brand usage or royalty, or
- (b) such other transaction, the amount of which is expected to exceed INR 1,000 Crores or 10% of the annual consolidated turnover as per the last audited financial statements whichever is lower.

"**Related Party**" ('RP') means a party 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 belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

"**Related Party Transaction**" (RPT) means *a transaction involving a transfer of resources, services or obligations between 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 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:*

Provided that 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 by the listed entity 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:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s).

Words and expressions used and not defined in this policy, but defined in the Act or any rules framed under the Act or in the Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 or the Accounting Standards shall have the meanings assigned to them in these regulations.

3. List of RPT and rationale

The following is a list of general related party transactions entered into by the Company.

3.1. Rendering of diagnostics or other services/ receipt of diagnostics services

The Company generally enters into various agreements with related parties for rendering diagnostics services/ for rendering services related to resources. These agreements are core to the business of the Company.

The Company provides resources to related parties for performing the onsite work. In consideration for providing resources, these related parties pay finder's fees to the Company.

3.2. Sale/ resale / leasing of equipment

The company generally enters into agreement with related parties for sale / lease of equipment. These elements are usually part of the diagnostics services rendered by the Company.

3.3. Equity contribution/ loans and interest on loans/ guarantees

The Company makes equity contribution and/or gives loans to subsidiary companies. In some cases the Company is also required to provide guarantees to third parties including Banks on behalf of subsidiary companies. All the subsidiaries are engaged in the activities which support the main business of diagnostics activity carried out by the Company. Accordingly, these financing activities are undertaken by the Company for supporting the activities undertaken by the subsidiary companies.

3.4. Allocation of corporate cost

The Company provides certain centralized corporate services including accounting, taxation, centralised marketing and legal services to its subsidiaries for which certain expenses are incurred. These centralised corporate services enable the Company to gain efficiencies in overhead costs. These are allocated to the relevant companies within the Group based on appropriate allocation keys.

3.5. Reimbursement of expenses

Companies within the Group incur certain expenses on behalf of other Group companies on account of various operational activities like travel etc. These are tracked separately and charged back to the respective companies on actual basis.

3.6. ESOPs to KMPs/ Directors

Employees of the group, including certain related parties like KMP's and Directors are awarded ESOP's in order to reward and retain them for their performance. These are issued in accordance with the ESOP guidelines issued by SEBI.

4. Notification by related parties

- 4.1.** Every Director/KMP, who is related to the Company in any manner, shall notify the Company secretary of the Company about
- (a) his/her shareholding interest or memberships or directorships (directly or through relatives)
 - (b) any change in his/her relatives or
 - (c) any change in shareholding interest or directorships or memberships of any organisation, held by the person himself or by his relatives.
- 4.2.** Directors/KMP shall give notification of his interest or change in interest within 7 days of the relevant event. At the beginning of each quarter, the Company Secretary of the Company shall provide the details of related parties as per records maintained by the Company to head of departments of the Company as well as to the Audit Committee along with changes since the last Audit Committee.
- 4.3.** The Company Secretary should also self-declare his interest or any change in interest to the Company and the Audit Committee.

5. Related party framework

5.1. Identification of related party

The Corporate Secretarial department shall maintain the list of related parties and shall update the same based on declarations received from the Directors/KMP's and based on other data maintained by it.

5.2. Identification of related party transaction

In the event that a proposed transaction is to be entered into with any of the parties identified as a Related Party in the list of Related Parties, the proposed transaction shall be considered as a Related Party Transaction. Relevant Head of department of the Company will need to report the proposed transaction with related party to Corporate Secretarial department for obtaining prior approval from Audit Committee. The Corporate Secretarial Department in coordination with various department heads shall maintain the updated list of related party transactions.

5.3. Ordinary course of business

Background

The term "ordinary course of business" is not defined under the Act or rules made thereunder. The assessment of whether a transaction is in ordinary course of business is very subjective, judgemental and can vary on case-to-case basis giving consideration to many factors including, nature of business and objects of the entity. The purpose of

making such assessment is to determine whether the transaction is usual or customary to the Company and/ or its line of business. Ordinary course of business will cover the usual transactions, customs and practices of a certain business.

Evaluation as to whether a transaction is in the ordinary course of business will be done by the Company Secretary & Legal Head with consultation with the CFO, and auditors, wherever required. This would be subject to review and approval by the Board and the Audit Committee.

The following are some of the transactions which are regularly undertaken by the Company based on historical data and hence are by default considered as being in Ordinary course of business

- a) Rendering of diagnostics or other services/ receipt of diagnostics services
- b) Charging of finder's fees for support in resource identification.
- c) Equity contribution/ loans and interest on loans/ guarantee commission
- d) Allocation of regular corporate cost done on a consistent allocation key
- e) Reimbursement/Recovery of expenses
- f) ESOPs to KMPs/ Directors

5.4. Arm's length evaluation

The Act or rules framed under provisions of the Act or SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, require that the transactions between related parties be conducted at Arm's length. There is no guidance or literature available on what can be considered as Arm's length for the purposes of compliance with the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

In the absence of any guidance, Transfer pricing guidelines under the Income Tax Act, 1961, may be used for determining the appropriate method for determining arm's length price.

There may be certain transactions which do not need an arm's length evaluation or documentation under the Income-tax Act 1961. In such cases also, it is considered appropriate if the principles of Transfer pricing guidelines under the Income Tax Act, 1961 are used.

In situations, where it is not appropriate to determine the arm's length price through the methods prescribed by the Income-tax Act, 1961, the management can compute the comparable price internally or reliance can be placed on expert valuation obtained from an external agency of repute. However, such situations are expected to be rare and hence the need to obtain this would be taken by the CFO, Company Secretary & Legal Head with the guidance of the Board and Audit Committee.

5.5. Approval process for transactions and Information for Approval

Audit Committee of the Company shall approve all the related party transactions (except for proposed transaction with the subsidiary companies) before the Company enters into such transaction. Any modification to related party transaction approved by audit committee will also require prior approval of Audit Committee.

In case of transaction with subsidiary companies, the Audit Committee shall approve the transaction within 30 days from the date on which the transaction is undertaken. If such a transaction needs approval from shareholders, then the management needs to obtain approval within 90 days from the date on which the transaction is undertaken.

All material transactions will have to be pre-approved by the Board of Directors of the Company and also by the Members of the Company in a general meeting.

In order to facilitate the implementation of the related party mechanism in case of existing transactions the Company can obtain blanket approval from the Audit Committee/ Board/ Members of the Company, through resolution in a meeting, after providing all the necessary information to the concern approving body. None of the related parties is entitled to vote on a resolution relating to a related party transaction in the Audit Committee meeting/ Board meeting/ Members meeting.

The following is an indicative list of information which should be made available to the Audit Committee/Board of Directors for approval of Related Party transactions;

- General description of the transaction
- Name of the related party and reason for classifying the party as related party
- Estimated value of the transaction
- Rationale for related party transaction (business reasons for the Company to enter into the Related Party Transaction and the nature of alternative options, if any)
- Nature of related party transaction
- Principle terms and conditions (including the indicative price and formula for variation in price, if any)
- Period of the transaction
- Management's evaluation of following aspects of the transactions
 - ordinary course of business
 - classification as specified transaction
 - material transaction
 - arm's length price

It is understood that the Audit Committee and Board of Directors may not be experts in evaluating every Related Party transaction and may need assistance in the form of expert comments, external views etc before arriving at a decision. If such need is felt

by a majority of the Audit Committee or Board of Directors present at the meeting, then such assistance may be taken.

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party transaction, such transaction may be approved by the Committee by way of a circular resolution, subject to the provisions of the Act. Any such approval must be ratified by the Committee at its next scheduled meeting.

It is expected that there may be situations when certain transactions cannot be anticipated or foreseen and hence all prescribed details normally needed for a prior approval may not be available. Hence, the Audit Committee may grant an approval for such transactions aggregating not more than Rs. 20,00,00,000. These would then need to be ratified at the next meeting of the Audit Committee. Such approval would normally be given for a year and would expire at the end of the year.

In the event the Company becomes aware of a Related Party transaction that by oversight has not been approved, the transaction shall be placed at the next meeting of the Audit Committee or Board or Shareholders. The Audit Committee, Board, Shareholders shall consider all relevant facts and circumstances and if required shall take legal consultation on the course of action if such transactions are material.

It is the responsibility of the Company Secretary to ensure that the approval process is duly followed and data required for the approval process is made available to the respective approving authority.

5.6. Non-compliances

In case of non-compliances, it will be the responsibility of the Company Secretary to report the non-compliances to the Audit Committee/Board of Directors. The Audit Committee/Board of Directors should consult the Company Secretary & Legal Head and take appropriate mitigating actions in compliance with prevailing laws.

This policy will be communicated to all employees and concerned persons and will also be uploaded on the website of the Company.