



# Kkalpana Industries (India) Limited

## POLICY ON DEALING WITH RELATED PARTY TRANSACTION

### 1. PREAMBLE

Kkalpana Industries (India) Limited (hereinafter referred “**the Company**” or “**KIIL**”) recognizes that transactions between the Company and one or more of its Related Parties (more particularly referred to as “Related Party Transactions” and defined hereinafter) present a risk of actual or potential conflicts of interest.

Considering the requirement for approval of related party transactions and with a view to ensure that the Related Party Transactions are in the best interest of the Company, it has adopted this Policy on Related Party Transactions (the /this “**Policy**”) in line with the requirements of the Companies Act, 2013 (“**the Act**”) and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**the Listing Regulations**”), as amended from time to time.

Also, Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires a company to formulate a policy on materiality of related party transactions (“**RPTs**”) and dealing with RPTs. This Policy is required to include clear threshold limits as approved by the Board of the Company.

#### 1.1 Objective of the Policy

The Board of the Company (“**the Board**”), after considering the recommendation of the Audit Committee, has adopted the Policy and associated procedures with regard to the identification, proper conduct, review, approval, documenting and reporting of Related Party Transactions. The Audit Committee may review and amend this Policy, from time to time, subject to approval of the Board. In addition to the above, the Policy shall be reviewed by the Board of Directors at least once in three years. In case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment (s), clarification (s), circular (s) etc. The objective of this Policy is to set out the materiality threshold for RPTs and the manner of dealing with the transactions between the Company and its related parties based on the Act and Listing Regulations and any other statute as may be applicable to the Company and further to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its Related Parties in accordance with the Applicable Law(s).

### 2. DEFINITIONS

#### 2.1 Applicable Law(s)

“**Applicable Law(s)**” means the Companies Act, 2013 (“the Act”) and the Rules prescribed there

under, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and includes any other statute, law, circulars, notifications, standards, regulations or other governmental instruction applicable in India relating to Related Party Transactions.

## **2.2 Arm's Length Basis:**

**"Arm's Length Basis"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length Basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961.

## **2.3 Associate**

**"Associate"** means a company as defined under section 2(6) of the Act, and Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements".

## **2.4 Audit Committee**

**"Audit Committee"** means the Audit Committee of the Board which as on date complies with the provisions of Section 177 of the Act read with applicable Rules and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## **2.5 Body Corporate**

**"Body Corporate"** means an entity as defined in Section 2(11) of the Act.

## **2.6 Regulation 23**

**"Regulation 23"** means the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## **2.7 Director**

**"Director"** means a person as defined in Section 2(34) of the Act.

## **2.8 Key Managerial Personnel**

**"Key Managerial Personnel"** mean the officers of the Company as defined in Section 2(51) of the Act and Rules prescribed there under.

## **2.9 Employees**

**"Employees"** mean the employees and office-bearers of the Company, including but not limited to Managing Directors or Whole-Time Directors.

## **2.10 Ordinary Course of Business**

**"Ordinary Course of Business"** means all such acts and transactions undertaken by the Company in the normal routine to conduct its business operations and activities and includes all such activities which the Company can undertake as per the Objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determining what is in the Ordinary Course of Business. In common parlance, 'ordinary course of business' would include transactions which are entered into in the normal course of the business pursuant to or for promoting or in furtherance of the company's business objectives, as per the charter documents of the company. To carry on a business, several activities are carried on by the company; all such activities will be considered to be in the ordinary course of business.

To decide whether an activity which is carried on by the business is in the 'ordinary course of business', the following factors may be considered:

- a. Whether the activity is covered in the objects clause of the Memorandum of Association
- b. Whether the activity is in furtherance of the business
- c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.)
- d. Whether the activity is repetitive/frequent.
- e. Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account
- f. Whether the transactions are common in the particular industry
- g. Whether there is any historical practice to conduct such activities
- h. The financial scale of the activity with regard to the operation of the business
- i. Revenue generated by the activity
- j. Resources committed to the activity

### **2.11 "Policy on Materiality Threshold"**

The policy on materiality of Related Party Transaction is enclosed and marked as Annexure -1

### **2.12 "Material modifications"**

**"Material modifications"** means any modifications to the material related party transactions which were approved by the Audit Committee or Shareholders during the year which will change the complete nature of the transaction and in case of monetary thresholds which is in excess of 10% of the originally approved transaction, in case of exigencies only.

### **2.13 Material Related Party Transactions**

**"Material Related Party Transactions"** means a transaction with a Related Party whether entered into individually or taken together with previous transactions during a financial year which exceeds the threshold of Rs. 1000 crores or 10 % of the annual consolidated turnover of the Company as per its latest audited financial statements, whichever is lower, or as per limits any other law or regulation including any amendment or modification thereof, as may be applicable.

### **2.14 Material Subsidiary**

**"Material Subsidiary"** shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

### **2.15 Relative**

**"Relative"** shall have the meaning assigned to it in Section 2(77) of the Act and the Rules prescribed there under and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **2.16 Related Party**

**"Related Party"** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(zb) of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015, or under the applicable accounting standards.

Provided that

- all persons/entities forming part of promoter/ promoter group of the Company, irrespective of shareholding
- any person/entity holding 20% or more equity shares in the listed entity at any time during the

immediate preceding financial year either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013. This limit of “20% or more” shall be read as “10% or more” with effect from 01.04.2023.

## **2.17 Related Party Transactions**

“**Related Party Transactions**” means such transactions directly or indirectly involving

-any Related Party as specified under Section 2(76) read with Section 188 of the Act, or Rules prescribed there under and under Regulation 23 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 and includes transaction involving transfer of resources, services or obligations between:

-the listed entity/its subsidiaries and a related party of the listed entity/its subsidiaries

-the listed entity/its subsidiaries and any person/entity, the purpose and effect of which is to benefit a related party of the listed entity/its subsidiaries, effective from 01.04.2023.

Regardless of whether a price is charged and a transaction with related party shall be construed to include a single transaction or a group of transaction in a contract.

## **2.18 Senior Management**

“**Senior Management**” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

## **2.19 Subsidiary**

“**Subsidiary**” means a company as defined in Section 2(87) of the Act read with relevant Rules prescribed there under.

**2.20** Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other Applicable Law or Regulation in force.

## **3. RELATED PARTY TRANSACTIONS UNDER THE POLICY**

**3.1** The Company deploys both technical and commercial expertise in managing the functions of viz., Sales, Marketing, Sourcing, Finance, Internal Audit and Secretarial. The Company also has structured delegation of authority. The Senior Management is educated on Related Party Transactions. Related Party Transactions, whether under the Act or under the Income Tax Act, 1961 including nuances and changes therein are informed to the Senior Management from time to time by the Corporate Finance team including those in Direct and Indirect Taxations. As a matter of policy, regardless of whether an entity is a Related Party or not, there is an inherent mechanism by which comparative quotes are obtained from more than one source before fixing prices in respect of procurements. When it comes to pricing of sale transactions, there is no specific guideline or instruction for any concessional approach to be adopted for sale transactions with Related Parties.

**3.2** The Company shall identify related parties as per the definition provided in the applicable laws, including the Act and Listing Regulations, as amended from time to time and accordingly the company shall regularly verify and update the Related Party List and review and confirm the same in accordance with the applicable laws as prevalent.

### **3.3 Prohibited Related Party Transactions**

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee and / or the Board of the Company in accordance with this Policy.

The company shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Prior approval of shareholders by way of special resolution shall be obtained for selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

### **3.4 Approval Process**

1. The Company will enter into Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed repetitive Related Party Transaction subject to the following conditions:
  - a) The Audit Committee shall after obtaining approval of the Board of Directors, lay down the criteria for granting omnibus approval in line with this Policy 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) The Audit Committee may seek the following information for granting Omnibus Approval and such omnibus approval shall specify the following:
    - Name(s) of the Related Party;
    - Nature of the transaction;
    - Period of transaction;
    - Maximum amount of transaction that can be entered into in aggregate;
    - Maximum value per transaction which can be allowed;
    - The indicative base price / current contracted price and the formula for variation in the price, if any,
    - Transactions that cannot be subject to the Omnibus approval by the Audit Committee and;
    - Such other conditions as the Audit Committee may deem fit.
    - Extent and manner of such disclosures as may be required to be made to the Audit Committee at the time of seeking Omnibus Approval
    - Such period of review, at such intervals, read with clause e) of this Clause, as the Audit Committee may deem fit, pursuant to each Omnibus Approval made
  - d) In such 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 Rs. 1 crore per transaction;
  - e) The Audit Committee shall review, at least on a quarterly basis, the details of Related Party

- Transactions entered into by the Company pursuant to each of the omnibus approval given;
- f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require refresh approvals after the expiry of such financial year.

2. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - management assessment of pricing terms and business justification for the proposed transaction;
  - comparative analysis, if any, of other such transaction entered into by the company

The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether a Related Party Transaction is in the Ordinary Course of Business and/or at Arm's length.

In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

Approval or subsequent modification of a transaction (other than those transactions stipulated under Section 188 of the Act) with the Company's wholly owned subsidiaries, shall not require approval of the Audit Committee

3. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution related to such contract or arrangement.
4. All material related party transactions and subsequent material modifications shall require approval of the 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. Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being

approved

5. The Audit Committee will also undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require further approval of the Board, or if the Board in any case considers to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its review/approval as the case may be.
6. If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Applicable Law, the same shall be put up for approval by the shareholders of the Company.
7. If prior approval of the Audit Committee or Board or general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board or general meeting, if required, within 3 months of entering in the Related Party Transaction.
8. In any case where either the Audit Committee or Board or a General Meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee or Board has authority to modify or waive any procedural requirements of this Policy.
9. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee or Board will consider whether the Related Party Transaction is on reasonable terms having regard to the circumstances of the case and the extent of the Related Party's interest in the transaction.
10. All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company  
Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.  
Provided further that:
  - (a) it adheres to the definition of "modifications" as disclosed as part of the policy on materiality of related party transactions and on dealing with related party transactions;
  - (b) a related party transaction to which the subsidiary 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 annual consolidated turnover, as per the last audited financial statements of the Company;
  - (c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a 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 annual standalone turnover, as per the last audited financial statements of the subsidiary;
  - (d) prior approval of the audit committee/shareholder of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to

such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee/ shareholder of the listed subsidiary shall suffice.

### **3.5 Related Party Transactions that shall not require Approval:**

The following transactions shall not require separate approval under this Policy:

- (i) Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board and those that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the Act , in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business;
- (ii) Indemnification and advancement of expenses made pursuant to any agreement or by-laws of the Company;
- (iii) 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;
- (iv) Any transaction which is in the Ordinary Course of Business and on an Arm's Length Basis as determined in terms of this Policy;
- (v) Any transaction 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;
- (vi) Transactions entered into between two wholly owned subsidiaries of the listed holding Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- (vii) Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- (viii) Payment of Dividend;
- (ix) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, approved by the Board and carried out in accordance with the specific provisions of the Act or the Listing Regulations;
- (x) Contribution to Corporate Social Responsibility, subject to approval of Corporate Social Responsibility Committee and within the overall limits approved by the Board of the Company;
- (xi) Transaction where the subsidiary is a party but the listed entity is not, not exceeding 10% of the consolidated turnover of the listed entity and wef 01.04.2023, 10% of the standalone turnover of the subsidiary.
- (xii) Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made there under, and must be approved in advance by the Audit Committee.

## **4. DISCLOSURE BY DIRECTORS/ KEY MANAGERIAL PERSONNEL**

- Each Director and Key Managerial Personnel of the Company shall promptly notify the Company / Board/Company Secretary of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary/Board/Audit Committee of the Company may reasonably require/request. The Company Secretary/Board, in consultation with other members of management and an independent counsel, as may be appropriate, may determine whether the transaction does, in fact, constitute a Related Party Transaction



requiring compliance with this Policy. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

- Every Director or Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- Where any Director or Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- A contract or arrangement entered into by the Company without disclosure or with participation by a Director or Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- In addition, each Director or Key Managerial Personnel is required to make disclosures of the entities in which they or their Relatives are or are deemed to be interested, in the prescribed format under Applicable Law.
- Any Director or Key Managerial Personnel who has been convicted of the offence dealing with Related Party Transactions at any time during the last preceding five years shall be disqualified for appointment as Director/Key Managerial Personnel, as the case may be. Provided that disqualification as referred shall continue to apply even if the appeal or petition has been filed against the order of conviction or disqualification.
- If any Director contravenes the provisions of section 184(1) or 184(2) shall be liable to a penalty of not less than Rs. 1 lakh which may extend to Rs. 5 lakhs or face such fine/penalties or imprisonments or consequences as may be statutorily prescribed.
- Every Director or Key Managerial Personnel fails to disclose interest in any contract or arrangement in which he is, directly or indirectly, interested shall be liable to vacate his office by virtue of Section 167 of the Act. The vacation shall not require any resolution.
- In addition to above, Every Director or Key Managerial Personnel shall be liable to such disciplinary and/or legal actions as may be decided by the Board.

## **5. GUIDING PRINCIPLES FOR REVIEW OF RELATED PARTY TRANSACTIONS**

### **5.1 Overall**

To review a Related Party Transaction, the Board or Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the purpose and potential benefits to the Company of the transaction and any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction, as may be considered material by the Audit Committee or Board or shareholders, as may be applicable in the light of circumstances of a particular transaction. In determining whether approval needs to be accorded to a Related Party Transaction, the Board or Audit Committee will consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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;
- 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 interest of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director, Key Managerial Personnel or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board or Audit Committee deem fit to consider.

The Audit Committee or Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction. Further, the Audit Committee or Board reserves the authority to modify or waive any procedural requirements of this Policy.

## **5.2 Guidelines on Determination of Arm's length nature of the Related Party Transactions**

As a matter of prudence, the following guidelines are issued:

1. Any single transaction with Related Party in excess of Rs.25 Crore be principally informed to the Audit Committee members indicating the salient features of the transaction and how the transaction is at "Arm's Length".

At the time of determining the Arm's Length Basis of price charged for the Related Party Transaction, the Audit Committee shall *inter- alia* take into consideration the following:

- (i) Permissible methods of Arm's Length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

The Company relies on professionals and experts in the field of Company Law, Accounting and Taxation to review, certify and report on transactions, including those with Related Parties.

2. The management of the Company should ensure periodically that all transactions with Related Parties – be they on a single source basis or otherwise – are on an "Arm's Length" basis.

## **6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

- 6.1 In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.
- 6.2 Further, in case any transaction (not being a specified transaction between the Company and its wholly owned subsidiary) involving any amount not exceeding ₹ 1 crore is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and which is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction will be 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 concerned shall indemnify the Company against any loss incurred by it.
- 6.3 In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval

of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

- 6.4 Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a related party to any Director, or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.
- 6.5 Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

## **7. DISCLOSURES**

- The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.
- The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

## **8. PENALTY**

Any Director or any other employee of the Company, who has entered into or authorised the contract or arrangement in violation of the provisions, shall be liable to a penalty of Rs. 25 lakhs. Further, nothing precludes the Board / Company from taking any other legal action against the concerned Director / employee, as available under any other law for the time being in force

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**

**1. OBJECTIVE:**

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “**SEBI’s Listing Regulation**”), as amended from time to time, requires a company to inter alia formulate a policy on materiality of related party transactions (hereinafter referred to as “**Policy on Materiality of RPTs**”) (including clear threshold limits duly approved by the Board of Directors).

Such policy on Materiality of RPTs shall be reviewed by the board of directors at least once every three years and updated accordingly.

**2. MATERIALITY LIMITS:**

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 10 percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or such other threshold as may be applicable from time to time as per the relevant provisions of the Companies Act, 2013, rules made thereunder and SEBI’s Listing Regulation.

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 percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, or such other threshold as may be prescribed from time to time

**3. APPLICABILITY**

All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the Company:

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- a) the audit committee of the company shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- b) a related party transaction to which the subsidiary of a 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 annual consolidated turnover, as per the last audited financial statements of the Company.
- c) with effect from April 1, 2023, a related party transaction to which the subsidiary 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 annual standalone turnover, as per the last audited financial statements of the subsidiary;
- d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if

regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

***Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above in clause (d), the prior approval for the audit committee of the listed subsidiary shall suffice.***

- e) All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require prior approval of the 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:

Provided that prior approval of the shareholders of the company shall not be required for a related party transaction to which the listed subsidiary is a party but the company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

***Explanation: For related party transactions of unlisted subsidiaries of the Company as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.***

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

- f) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.