



KIRLOSKAR ELECTRIC COMPANY LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

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1. PREAMBLE

The requirements for approval of related party transactions has been prescribed under the Companies Act, 2013 read with the Rules framed thereunder as amended from time to time and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**").

Kirloskar Electric Company Limited ("**the Company**") has formulated a policy on Related Party Transactions to determine the "Materiality of Related Party Transaction" and to provide a Governance framework on dealing with Related Party Transactions.

This Policy has been adopted by the Board of Directors of the company based on recommendations of the Audit Committee. The Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. NEED FOR RELATED PARTY TRANSACTION POLICY

The need for this Policy is to set out;

- (a) the materiality thresholds for related party transactions and;
- (b) the manner of dealing with the transactions between the company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the company.

3. DEFINITIONS

- a. "**Act**" means the Companies Act, 2013
- b. "**Audit Committee or Committee**" means the Audit Committee of the Board of directors of the company constituted under provisions of the Companies Act, 2013 and Listing Regulations.
- c. "**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
- d. "**Board**" means Board of Directors of the Company.
- e. "**Control**" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- f. "**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
 - ii. a whole-time director;
 - iii. Company Secretary; and

- 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
- g. "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 10% (ten percent) of the annual consolidated turnover of the company as per the last audited financial statements of the company.

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.

- h. "Policy"** means policy on Related Party Transaction, as amended from time to time.
- i. "Related Party"** in relation to the Company means a party related with the Company in any of the ways as laid down in section 2(76) of the Companies Act and Clause- 2 (zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- j. "Related Party Transaction"** means transfer of resources, services or obligations between the Company and a related party, regardless of whether 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, including but not limited to a contract or arrangement with a related party with respect to –
- i. sale, purchase or supply of any goods or materials;
 - ii. selling or otherwise disposing of, or buying, property of any kind;
 - iii. leasing of property of any kind;
 - iv. availing or rendering of any services;
 - v. appointment of any agent for purchase or sale of goods, materials, services or property;
 - vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - vii. Underwriting the subscription of any securities or derivatives thereof, of the company.
- k. "Relative"** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
- a. They are members of a Hindu undivided family;
 - b. They are husband and wife ; or
 - c. Father (including step-father)
 - d. Mother (including step-mother)
 - e. Son (including step-son)

- f. Son's wife
- g. Daughter
- h. Daughter's husband
- i. Brother (including step-brother)
- j. Sister (including step-sister)

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (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 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 external expert as it deems fit.

4. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the Company is a related party to the particular transaction or not. The company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

5. APPROVAL OF RELATED PARTY TRANSACTION

- i. All related party transactions shall require prior approval of the audit committee. The approval of the Audit Committee can be granted by way of a circular resolution. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the provisions of Regulation 23 of the SEBI Listing Regulations.
- ii. Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the condition mentioned in LODR.
- iii. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- iv. The audit committee shall review on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approvals.
- v. Any member of the Audit Committee interested in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

- vi. All material related party transactions shall require approval of shareholders through an ordinary resolution and no related party shall vote to approve such resolutions whether the Company is a related party or not to the transaction or not.

Provided that this requirement 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

- vii. In the event a related party transaction is covered by applicable provisions of the Companies Act, 2013, the Company shall comply with such provisions including requirements as prescribed under the LODR.
- viii. Companies falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the Company is a party to the particular transaction or not.

6. EXCEPTIONS

Transactions with wholly owned Subsidiaries are exempt from the above requirement.

7. REPORTING OF RELATED PARTY TRANSACTIONS

- Every contract of arrangement, which is required to be approved by the Board / Shareholders under this policy, shall be referred to in the Board's report to the shareholders along with justification for entering into such contract or arrangement. Further, the Company shall provide additional disclosures on related party transactions as required under the LODR.
- The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

8. REVIEW OF POLICY

The Board shall review the efficacy of the Policy on periodically and can amend the same from time to time.
