



# **KIRLOSKAR BROTHERS LIMITED**

A Kirloskar Group Company

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## **POLICY ON RELATED PARTY TRANSACTIONS**

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## **Policy on Related Party Transactions**

*Pursuant to Regulation 23 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ["SEBI Listing Regulations"], as amended from time to time, the Policy on Related Party Transactions is formulated which supersedes earlier policy in this regard.*

### **1. SCOPE AND PURPOSE OF THE POLICY**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Regulation 23"] and any other laws and or regulations for the time being in force as applicable Kirloskar Brothers Limited ("Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, the Company has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit and Finance Committee (Audit Committee). Going forward, the Audit Committee will review and recommend the amendment if necessary, to the Policy to the Board and the Board shall review at least once in every three years and amend the Policy accordingly.

### **2. OBJECTIVE OF THE POLICY**

The objective of 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 in compliance with SEBI Listing Regulations, 2015 and the Companies Act, 2013, and any other laws and regulations as may be applicable to the Company.





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### 3. DEFINITIONS

- 3.1. **“Act”** means the Companies Act, 2013 including rules enacted thereunder as amended from time to time.
- 3.2. **“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.
- 3.3. **“Company”** means Kirloskar Brothers Limited.
- 3.4. **“Key Managerial Personnel”** or **“KMP”** shall have the meaning as defined in the Companies Act 2013.
- 3.5. **“Material Modification”** in terms of SEBI Listing Regulations means any modification(s) in the pricing, quantity or overall transaction value having a variance of 15% (Fifteen percent) or more, in the relevant previously approved related party transaction.
- 3.6. **“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 its Memorandum & Articles of Association and allied activities thereto.

The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

- 3.7. **“Regulation 23”** means the Regulation no. 23, of the SEBI Listing Regulations, 2015 as may be amended from time to time.
- 3.8. **“Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.
- 3.9. **“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1) (zb) of the SEBI Listing Regulations, 2015, including
  - a. any person or entity forming a part of the promoter or promoter group of the Company irrespective of their shareholding in the Company; or
  - b. any person or entity holding 10% or more equity shares in the Company, either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year.





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3.10. "**Related Party Transaction**"(RPT) as defined in Section 2 (76) of the Companies Act, 2013 and Regulation 2(1) (zc) of the SEBI Listing Regulations, 2015, means

- 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. appointment to any office or place of profit in the company;
- g. underwriting the subscription of any securities or derivatives thereof, of the company;
- h. a transaction involving a transfer of resources, services or obligations between:
  - (i) a 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; or
  - (ii) a Company or any of its subsidiaries on one hand, and any other person or Company on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries;

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.

The Related Party Transactions shall not include:

- (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 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) retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.





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*Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI Listing Regulations, 2015 or any other applicable law or regulation.*

#### **4. MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which prior approval of the shareholders through resolution will be required and no related parties shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold, for a transaction with a related party either entered into individually or taken together with previous transactions during a financial year, at rupees one thousand crore (Rs. 1,000 crore) or ten percent (10%) of the annual consolidated turnover of the company whichever is lower as per the last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

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 (5%) of the annual consolidated turnover of the Company as per the last audited financial statements.

#### **5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION**

##### **5.1. Identification of Related Parties**

The related parties are identified based on the provisions as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1) (zb) of the SEBI Listing Regulations.

##### **5.2. Related Party Transactions**

The transactions with the related parties in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations would be periodically reviewed to determine whether they are in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external expert opinion, if necessary.





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### **5.3. Procedure for Approval of Related Party Transaction**

#### **5.3.1. Approval of the Audit Committee**

Prior approval of the Audit Committee by only those members of the audit committee, who are independent directors would be required for following transactions:

- a. All related party transactions and subsequent material modifications.
- b. A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, 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.
- c. Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of Clause 4 of the Policy.

Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time shall be provided to the Audit Committee for consideration of RPTs.

However, the Company may obtain omnibus approval from the Audit Committee for such transactions including transactions entered by its subsidiary where the Company is not a party, subject to compliances with the following conditions:

- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
  - i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
  - ii. The maximum value per transaction which can be allowed;
  - iii. extent and manner of disclosures to be made to the Audit committee at the time of seeking omnibus approval
  - iv. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
  - v. transactions which cannot be subject to the omnibus approval by the Audit Committee





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- b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
  - i. repetitiveness of the transactions (in past or in future);
  - ii. justification for the need of omnibus approval
- c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;
- d. The omnibus approval shall provide details of
  - i. the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into,
  - ii. basis of arriving at 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 transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees 1 crore per transaction.

- e. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions entered into by the Company or its subsidiaries pursuant to the omnibus approval given.
- f. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- h. Such other conditions as the Audit Committee may deem fit.





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### **Criteria for Omnibus approval**

In compliance with the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- i. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be decided as per the transaction entered in previous year as per the last audited financial statements.
- ii. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in Clause 4 of the Policy.
- iii. While assessing a proposal put up before the Audit Committee for approval, the Audit Committee 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:
  - a. Nature of the transaction i.e. name of the parties, details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed under the proposed transaction;
  - b. Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
  - c. Key covenants (non-commercial) of the proposed agreement/ contract to be entered into for such transactions, if any;
  - d. such other information which may have a bearing on the arm's length basis analysis, such as industry trends, third party comparable, valuation reports, price publications including stock exchange and commodity market quotations, management assessment of pricing terms and business justification for the proposed transaction.

Transaction of following nature will not be considered eligible for the omnibus approval of the Audit Committee:

- i. Transactions which are not at arm's length or not in the ordinary course of business
- ii. Transactions which are not repetitive in nature
- iii. Transactions exceeding materiality thresholds as laid down in Clause 4 of the Policy
- iv. Transactions in respect of selling or disposing of the undertaking of the company
- v. Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
- vi. Any other transaction the Audit Committee may deem not fit for omnibus approval.





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### **5.3.2. Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- b. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;
- c. Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

### **5.3.3. Approval of the Shareholders of the Company**

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 of the Policy and subsequent material modifications, shall require prior approval of the shareholders through resolution.

For this purpose, all entities falling under the definition of related parties shall not vote to approve the relevant resolution, irrespective of whether the entity is a party to the particular transaction or not.

Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time shall be provided in the Notice to the shareholders for consideration of RPTs.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- a. are not at Arm's Length or not in the ordinary course of business; and
- b. exceed the thresholds laid down in Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014 made under the Companies Act, 2013 shall be placed before the shareholders for its approval.





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Further, all material RPT and subsequent material modifications as mentioned under Regulation 23 of SEBI Listing Regulations, 2015 shall also be placed before the shareholders for its approval.

The prior approval of shareholders shall not be required when transactions 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.

## **6. DISCLOSURES**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also submit details of all related party transactions to the stock exchanges every six months in the format specified by the SEBI within such timelines as prescribed by the SEBI.

The same shall also be published on the Company's website.

Provided further that the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure provided that the same is not material in terms of the provisions of Clause 4 of this Policy.

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

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 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.





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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.

#### **Ratification of transactions by Audit Committee**

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- ii. the transaction is not material in terms of the provisions of Clause 4 of this Policy;
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of the SEBI Listing Regulations;
- v. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction 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(s) concerned shall indemnify the Company against any loss incurred by it.

In any case, where the Audit Committee determines not to ratify a related party transaction 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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc.

In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.





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## **8. REVIEW OF THE POLICY**

The Audit Committee will review and recommend the amendment if necessary, to this Policy to the Board and the Board shall review at least once in every three years and amend the Policy accordingly, considering the changes that may be brought about due to any regulatory amendments or otherwise. This policy will be revised upon changes in the regulations relevant to RPTs to make the policy consistent with the laws in force.

In the event of any conflict between the provisions of this Policy and of the Act or SEBI Listing Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI Listing Regulations or statutory enactments, rules shall prevail over this Policy.

This Policy has been amended as per the recommendations of the Audit Committee meeting held on February 11, 2025 and approved by the Board of Directors at its meeting held on February 12, 2025.

## **9. COMPLIANCE RESPONSIBILITY**

Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

For Kirloskar Brothers Limited

Sanjay C. Kirloskar

Chairman and Managing Director

Pune

February 12, 2025

