



Kiri Industries Limited
(CIN: L24231GJ1998PLC034094)

Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

(As per Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

(Approved by Board of Directors at its meeting held on October 10, 2014, modified & adopted on February 13, 2019 and further modified on May 30, 2022)

A. SCOPE AND PURPOSE OF THE POLICY:

Related Party Transactions (RPT) 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 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”), **Kiri Industries Limited (“KIL” or “the Company”)** has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

As per regulation 23(1) of Listing Regulations, the listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and it shall be reviewed by the board of directors at least once every three years and updated accordingly. In view of that, the Board of Directors of the Company had adopted “Related Party Transaction Policy” at their meeting held on October 14, 2014. The said policy was formulated as per the provisions of Clause 49 of the erstwhile Listing Agreement. Thereafter on February 13, 2019 on recommendation of audit committee and in accordance with regulation 23(1) of Listing Regulations, Policy was updated and adopted. This policy is modified, updated and adopted with effect from April 1, 2022 on recommendation of audit committee and in accordance with amended regulation 23(1) of Listing Regulations.

B. DEFINITIONS

- i. “**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.
- ii. “**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.
- iii. “**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.
- iv. “**Company**” means Kiri Industries Limited
- v. “**Director**” means a person as defined in Section 2 (34) of the Companies Act, 2013.
- vi. “**Material Related Party Transaction**” In accordance with Regulation 23 of the Listing Regulations, w.e.f. 01/04/2022 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 ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other limit as may be specified in the applicable Regulation as amended from time to time.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be consider material if the transaction(s) to be entered into individually or take together with previous transactions during a financial year, exceed five percent (or such other limit as may be specified in the applicable Regulation as amended from time to time) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- vii. **“Material Modification”** means any subsequent change to an existing RPT, having variance of more than 25% of the existing limit.
- viii. **“Office or Place of Profit”** means any office or place:
 - i. where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
 - ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.”
- ix. **“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. The Audit Committee may lay down principles from time to time for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.
- x. **“Policy”** means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.
- xi. **“Relative”** shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.

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

Provided that:

- a) any person or entity forming a part of the promoter or promoter group of the Company; or
- b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

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;

shall be deemed to be a related party.

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

- xiii. **“Related Party Transaction(s)”** means as defined under the Companies Act and a transaction involving a transfer of resources, services or obligations between:

- i. 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 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, with effect from April 1, 2023;

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 company 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 recognised stock exchange(s);

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Accounting Standards or any other relevant legislation / law applicable to the Company.

- xiv. In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

C. 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 based on the Act and Listing Regulations.

D. PROCEDURE

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the following:-

1. Audit Committee:

- ✚ As per Regulation 23 of the Listing Regulations and Section 177 of the Companies Act, 2013, all the related party transactions and subsequent material modifications shall require **prior** approval of the audit committee, subject to following conditions:

- i. **only** those **members** of the Audit committee, **who are independent directors** shall approve related party transactions. (w.e.f. 01.01.2022)

- ii. the audit committee 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;
- iii. 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, 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;
- iv. 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, 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;
- v. **Prior approval** of the audit committee 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**.

However, for related party transactions of unlisted subsidiaries of such listed subsidiary as referred above, the prior approval of the audit committee of the listed subsidiary shall suffice.

✚ The Audit Committee may also grant **omnibus approval** for Related Party Transactions proposed to be entered into by the Company 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 and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself regarding need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;
- c) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, viz.:-
 - i. Repetitiveness of the transactions (in past or expected transactions in future),
 - ii. Justification for the need of omnibus approval.

d) Such omnibus approval shall specify:-

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into, in aggregate in a year, and maximum value per transaction which is allowed,

(ii) 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.

However, where the need for Related Party Transaction cannot be foreseen and aforesaid details 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) 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 fresh approval after the expiry of such financial year.

g) Omnibus approval shall not be given for transactions in respect of selling or disposing of the undertaking of the Company.

Details to be provided to the Audit Committee -

With respect to Related Party Transactions requiring approval of the Audit Committee, the following information, to the extent relevant, shall be presented to the Audit Committee:

a) A general description of the transaction(s), including the material terms and conditions.

b) The name of the Related Party and the basis on which such person or entity is a Related Party.

c) Name of director or KMP who is related.

d) Period of transaction

e) Maximum amount of transaction that can be entered into

f) The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).

g) The indicative base price / current contracted price and the formula for variation in the price if any

- h) Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

2. Board of Directors:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said section, which are either not on arm's length basis or not in the Ordinary Course of Business shall be placed before the Board for its approval.

All (a) Related Party Transactions that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis, (b) Material Related Party Transactions and subsequent material modifications in terms of Regulation 23 of Listing Regulations, requiring the approval of the shareholders, shall also need to be approved by the Board and shall be recommended by the Board of Directors to the Shareholders for their approval.

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.

3. Shareholders:

✚ Shareholders' approval for Material related party transactions and subsequent material modifications in terms of Listing Regulations:

As per Regulation 23 of SEBI (Listing Regulations), 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 ten 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 limit as may be specified in the applicable Regulation as amended from time to time.

All material related party transactions and subsequent material modification as defined by the Audit Committee 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.

However, prior approval of the shareholders of a 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 and for related party

transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

✚ Shareholders' Approval under Section 188 of the Companies Act, 2013:

In accordance with Section 188 of the Companies Act, 2013 read with rules made thereunder, including any statutory modification, amendment thereof as may be issued from time to time, transactions exceeding limits as tabled below shall require prior approval of shareholders by a resolution.

Transactions covered	Transaction value
sale, purchase or supply of any goods or materials directly or through appointment of agents *	10% or more of the Turnover of the Company
selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents *	10% or more of the Net Worth of the Company
leasing of property of any kind*	10% or more of the Turnover of the Company
availing or rendering of any services directly or through appointment of agents *	10% or more of the Turnover of the Company
such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration exceeding Rs. 2.5 Lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	exceeding 1% of the Net Worth

** The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*

Explanation - The Turnover or Net Worth referred in the above shall be on the basis of the Audited Financial Statement of the preceding financial year.

4. Each director/KMP who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Audit Committee/Board of Directors concerning such Related Party Transaction and his or her interest in such transaction.
5. The Audit Committee shall also review and approve any modification, renewal or extension of any Related Party Transaction.

E. EXEMPTION FROM OBTAINING APPROVAL AS PER LISTING REGULATIONS

In terms of Regulation 23 of the Listing regulations, following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

- i. Transactions entered into between a 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;
- ii. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

However, an approval of Audit Committee and Board of Directors/ Shareholders (to the extent applicable), as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Companies Act, 2013 read with the Rules made thereunder.

F. 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 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.

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 for the loss suffered by the related party 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.

G. DISCLOSURES

Particulars of contracts or arrangements with Related Parties referred to in sub Section (1) of Section 188 shall be disclosed in the Directors Report along with the

justification for entering into such contract or arrangement, pursuant to any statutory requirement, if any.

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

In addition to the above, the Company shall disclose related party transactions every six months to the Stock Exchanges within 15 days (w.e.f. April 1, 2022) from the date of publication of its standalone and consolidated financial results in the prescribed format, and simultaneously publish the same on its website. Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

The policy shall be published on the Company's website www.kiriindustries.com and web link of the policy shall be disclosed in the Company's Annual Report.

H. Review

This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, Listing Regulations 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 and recommended by the Audit Committee at least once in every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations or as may be felt appropriate by the Audit Committee, whichever is earlier for approval of the Board of Directors. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.
