



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 ("**Act**") 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. "**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.
- b. "**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
- c. "**Board**" means Board of Directors of the Company.
- d. "**Control**" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- e. "**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
- f. **“Material Related Party Transaction & thresholds”** means a transaction with a Related Party if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the company, whichever is lower.

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.

- g. **“Material Modifications”** shall mean any variation made in the nature, value & such other terms & conditions of the existing RPTs either individually or taken together with any previous modifications, exceeding by 20% of the already approved transaction value by the audit Committee &/or Board &/or Shareholders as the case may be.
- 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”** in relation to the Company shall have the meaning as defined under Regulation 2(1)(zc) of the Listing Regulations or as envisaged in Section 188(1) of the Act.
- 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 Act, the Listing Regulations 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. APPROVAL OF RELATED PARTY TRANSACTION

- i. All related party transactions and subsequent material modifications shall require prior approval of the audit committee. The approval of the Audit Committee can be granted by way of a circular resolution.
- ii. A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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
- iii. Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the condition mentioned in Listing Regulations.
- iv. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- v. 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.
- vi. 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.

- vii. All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior 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.

- viii. In the event a related party transaction is covered by applicable provisions of the Act, the Company shall comply with such provisions including requirements as prescribed under the **Listing Regulations**.

5. EXCEPTIONS

- Transactions with wholly owned Subsidiaries whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- 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.

6. REPORTING OF RELATED PARTY TRANSACTIONS

- Every contract of arrangement, which is required to be approved by the Committee/ 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 Listing Regulations.
- The Company shall submit disclosures of related party transactions on a consolidated basis, within the timelines prescribed under Regulation 23(9) of the Listing Regulations, in the format specified by SEBI from time to time and publish the same on its website.

7. REVIEW OF POLICY

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