



KIRLOSKAR ELECTRIC COMPANY LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

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1. PREAMBLE

The requirements for approval of related party transactions as 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 guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Further, Regulation 23(1) of the SEBI Listing Regulations also 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 ("**The Board**") of the company based on recommendations of the audit committee ("**The Committee**"). The 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 Committee of 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 and in their absence, a whole-time director;

- ii. Company Secretary; and
 - iii. Chief Financial Officer
- 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.
- h. "Policy"** means policy on Related Party Transaction.
- i. "Related Party"** is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:
- A person or a relative of that person's family is related to a company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. has control or joint control or significant influence over the company; or
 - c. is a key management personnel of the company or of a parent of the company; or
 - An entity is related to a company if any of the following conditions applies:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
 - c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - d. Both entities are joint ventures of the same third party; or
 - e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
 - g. The entity is controlled or jointly controlled by a person identified in (1).
 - h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity);
- j. "Related Party Transaction"** have the meaning as defined under Regulation 2(1)(zc) of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity 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 the following –

- 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. appointment to any office or place of profit in the company
 - 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.

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 entity 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. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

- i. All related party transactions shall require prior approval of the audit committee.
- 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 the related parties shall abstain from voting on such resolutions whether the entity is a related party or not to the transaction.
- 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.

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.

8. Review of Policy

The Board of Directors or the Audit Committee with the approval of the Board of Directors shall review the efficacy of the Policy and can amend the same from time to time.

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