
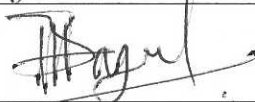
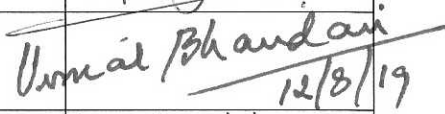


# Related Party Transactions Policy

## Related Party Transactions Policy

Action	Entity	Signature
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Approved by	CEO	 12/8/19
Approved by	Board	Approved by Board on 31 <sup>st</sup> July 2019
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**(I) BACKGROUND:**

The Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014 (the Act) introduced specific provisions relating to Related Party Transactions (RPTs). The Board of Directors of Kirloskar Capital Limited (the Board) has adopted the following policy and procedures under Section 188(1) of the Companies Act, 2013 with regard to Related Party Transactions. This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on terms of applicable laws and regulations to the Company.

**(II) DEFINITIONS:**

1. **“Related Party”** means a party which is defined under the provisions of the Section 2 (76) of the Companies Act, 2013 and rules made thereunder. The definition of “Related party”, with reference to a company, means-

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:  
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body corporate which is—
  - (A) a holding, subsidiary or an associate company of such company;
  - (B) a subsidiary of a holding company to which it is also a subsidiary; or
  - (C) an investing company or the venturer of the company;"Explanation-For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.
- (ix) such other person as may be prescribed;

2. **“Relative”**, as defined under the Companies Act, 2013, means a person who is related to another in any one of the following manner:

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) Father (including step-father);
- (iv) Mother (Including step-mother);

- (v) Son (including step-son);
- (vi) Son's Wife;
- (vii) Daughter;
- (viii) Daughter husband;
- (ix) Brother (Including step brother);
- (x) Sister (Including step-sister);

3. **“Related party Transaction”** as defined under the Companies Act, 2013 means the following transaction or contract or arrangement:

- (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) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company
- (h) any transaction for transfer of resources, services or obligations between a Company and Related Party, regardless of whether a price is charged.

Exemption: Transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at general meeting for approval.

4. **“Material Related Party Transactions”** as defined under the Listing Regulations, means any transaction/ transactions to be entered into with the related party, individually or taken together with previous transaction during Financial Year exceeds 10% of the Annual consolidated turnover of the Company as per the last audited financial statement of the Company.
5. **“Arm's Length Transaction” (AL)** as defined under Section 188(1) of the Companies Act, 2013, shall mean a transaction between two Related Parties that is conducted as if they were unrelated, as if contract is as at prevailing market price with third party, so that there is no conflict of interest.
6. **“Ordinary Course of Business” (OCB):** All types of transactions / services rendered on a regular basis as business requirement on an ongoing basis over a period of time or transactions continued for about three years with related parties as a business requirement.
7. **“Exempt Related Party Transactions” (RPTs):** The RPTs which are in OCB and on an Arm's Length basis, means as if done with not related parties at prevailing market price, are referred to as “Exempt RPTs”. There could be deviations in exempt RPTs with the Parent/Group Companies under the following circumstances:
- (i) Economic Reasons including Corporate Debt Restructuring (CDR), Financial Conditions and other extra-ordinary circumstances;



(ii) Regulatory enactments / obligations, if any.

8. **“Non-Exempt Related Party Transactions”**: Related Party Transactions which are not in the OCB and/or not on AL basis are referred to as the “Non-Exempt RPTs”.

Any non-exempt RPT would be notified at Audit Committee as well as Board level.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Rules prescribed thereunder, SEBI (Listing Obligations and Disclosure Requirements) regulations 2015, Security Contract Regulation Act or any other applicable law or regulation as applicable to the Company.

### **(III) PROCEDURE:**

#### **1. Disclosure by Directors/Key Managerial Personnel (KMP):**

Every Director/KMP of the Company shall at the beginning of the Financial year provide information about his/her (including relatives) nature of interest or concerns as prescribed under the Companies Act, 2013, to the Company. Thereafter, any changes therein need to be informed to the Company promptly.

#### **2. Identification of Transactions with Related Parties:**

The Chief Financial Officer / Compliance Officer will circulate list of identified Related Parties to the concerned employee which may include head of Business Units, Head of Functional Departments etc. The concerned employees shall submit details of proposed transaction(s) to the Chief Financial Officer/ Compliance Officer.

#### **3. Exempt Related Party Transactions:**

- (i) The Board of Directors of the Company (the Board) would review all RPTs on an ongoing basis at every Board Meeting. The Board shall confirm that all RPTs are in compliance with RPT framework. As a part of internal control and governance framework, all RPTs including exempt RPTs would be noted by the Board from time to time.
- (ii) Moreover, Internal Auditors of the Company shall review all RPTs on a quarterly basis and report their observations, if any.

#### **4. Information to be placed before the Audit Committee and Board of Directors:**

- (i) The name of the related party and nature of relationship;
- (ii) The nature, duration and particulars of the transaction or contract or arrangement;

- (iii) Salient terms of the contracts or arrangements or transactions including the value, if any
- (iv) any advance paid or received for the contract or arrangement, if any;
- (v) manner of determining the price and other commercial terms;
- (vi) whether all factors relevant to the transaction have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- (vii) evaluation certificate on ascertainment of Arm's Length basis from outside consultant if any and
- (viii) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

**5. Review and approval of Non-Exempt Related Party Transaction:**

**A. Audit Committee:**

Prior approval of the Audit Committee is required for all non-exempt Related Party Transactions. The Audit Committee shall consider following factors while deliberating Related Party Transactions for approval:

- (i) Whether proposed Related Party Transaction is on Ordinary Course of Business;
- (ii) Whether the terms of the Related Party Transaction are fair and on Arm's Length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (iii) Whether there are any compelling business reasons for the Company to enter into Related Party Transaction and the nature of alternative transaction, if any;
- (iv) The Materiality aspect of the Related Party Transaction;
- (v) Any other factor which Audit Committee deems relevant.

**B. Board of Directors:**

I. As and when the Audit Committee of the Company review and recommend, the proposed Related Party Transaction is in Ordinary course of Business and on Arm's Length basis, the Board shall consider the following factors while deliberating Related Party Transaction for its approval:

- (a) Review of factors considered by the Audit Committee for its approval to the proposed Related Party Transaction.
- (b) any other factor which Board deems relevant.

Based on the above factors, Board would approve the Related party Transaction or otherwise.

II If the Audit Committee determines, the proposed Related Party Transaction is not in ordinary course of business and / or not on Arm's length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:

- (a) Whether proposed Related Party Transaction is within threshold as specified under Point no. III (5) (c) of this Policy.
- (b) Justification for entering into proposed Related Party Transaction.
- (c) Any other factor which Board deems relevant.

Based deliberations, the Board would approve / reject the Related Party Transaction and advice to place it before shareholders, if necessary.

**C. Shareholders:**

**(i) Companies Act, 2013 and rules thereof:**

In case of following type of Related Party Transactions which are not in ordinary course of business and not on Arm's length basis and which also exceeds threshold as given under will require the approval of shareholders by a special resolution:

Sr No	Category of Transaction	Threshold
1	Sale, purchase or supply of any goods or materials	10% of turnover or Rs. 100 crore, whichever is lower
2	Selling or otherwise disposing of, or buying, property of any kind	10% of net worth or Rs 100 crore, whichever is lower
3	Leasing of property of any kind	10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower
4	Availing or rendering of any services	10% of turnover of RS 50 crore, whichever is lower
5	Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.5 lakh
6	Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth



(The Turnover or Net Worth referred above shall be computed on the basis of Audited Financial Statements of the preceding Financial Year).

**6. Related Party Transactions which are not approved under this Policy:**

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

**7. Related Party Transactions of ongoing nature:**

If Related Party Transaction is of an ongoing nature, the Audit Committee and/or the Board of Directors shall periodically review and assess the ongoing relationship with Related Party and terms of transactions to see that they are in compliance with this Policy. Any amendment, renewal or extension of transaction or arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

**8. Interested Director / KMP / Shareholder not to participate:**

- (a) The Interested Director / KMP shall disclose the nature of his concern or interest at the meeting of the Board in which the Related Party Transaction is discussed and shall not participate in such meeting.
- (b) No member of the Company shall vote on the special resolution, to approve any Related Party Transaction which may be entered into by the Company, if such member is a Related Party.

**IV. DISCLOSURE:**

All other disclosures in respect of Related Party Transaction to be complied as may be specified under Companies Act, 2013, including rules thereof from time to time.

**V. CONSEQUENCES OF CONTRAVENTION:**

Any director or any other employee of a Company, who had entered into or authorized the Related Party Transaction, in violation of the provisions of this Policy, shall attract penal provisions as prescribed under provisions of Companies Act, 2013.

**VI. AMENDMENT:**

The Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate or in accordance with any amendment to the applicable provisions of Companies Act, 2013, including rules thereof and / or the provisions of SEBI LODR Regulations.