

## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

### 1. Preface

The Board of Directors (the “**Board**”) of Kilburn Engineering Limited (the “**Company**”) has adopted the following Policy (the “**Policy**”) to determine Materiality of Related Party Transaction and also dealing with Related Party Transactions. The Policy has been formulated in order to comply the provisions of the Companies Act, 2013 (the “**Act**”) and the Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulations**”)

### 2. Objective of the Policy

This Policy has been framed to provide the governance framework for approval / ratification and reporting of Related Party Transactions to be entered into by the Company with the Related Parties and to set out the thresholds for Related Party Transactions. The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to accord fairness in the treatment of Related Party Transactions.

### 3. Definitions

- a. “**Listing Regulations**” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- b. “**Applicable Law**” means the Companies Act, 2013 and the rules made thereunder, the Listing Regulations and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
- c. “**Holding Company**” in relation to one or more Companies means a Company of which such Companies are Subsidiary Company as per sub-section (46) of Section 2 of the Companies Act, 2013.

- d. **“Subsidiary Company”** or **“Subsidiary”**, in relation to any other Company (that is to say the Holding Company), as per the sub-section (87) of Section 2 of the Companies Act, 2013 means a Company in which the Holding Company:
- i. Controls the composition of the Board of Directors; or
  - ii. Exercises or controls more than 1/2 (one-half) of the total voting power either at its own or together with one or more of its Subsidiary Company.
- e. **“Wholly Owned Subsidiary”** means when a Company holds 100% of shares of another Company, the other Company is called a Wholly Owned Subsidiary of the Company who has made 100% investment in it.
- f. **“Associate Company”**, in relation to another company, means a Company in which that other Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a Joint Venture Company.

Explanation. — For the purposes of this clause - (a) the expression **“Significant Influence”** means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement; (b) the expression **“Joint Venture”** means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

- g. **“Audit Committee or Committee”** means a Committee of Board of Directors of the Company, as constituted from time to time under Section 177 of the Companies Act, 2013 read with Regulation 18 of the Listing Regulations.
- h. **“Board of Directors”** or **“Board”** means the Board of Directors of the Company.
- i. **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and as per Companies Act, 2013.
- j. **“Policy”** means this Related Party Transaction Policy.

- k. **“Key Managerial Personnel”** as defined under the Companies Act, 2013 means:
- i. the Chairman and Managing Director;
  - ii. the Company Secretary (CS);
  - iii. the Whole-time Director (WTD);
  - iv. the Chief Financial Officer (CFO);
  - 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.
- l. **“Arm’s Length Transaction”** shall have the meaning ascribed to such term under section 188 of the Companies Act, 2013.
- m. **“Related Party”** shall have the meaning ascribed to such term under Regulation 2(1) (zb) of the Listing Regulations and under sub-section (76) of Section 2 of the Companies Act, 2013.
- n. **“Relative”** shall have the meaning ascribed to such term under sub-section (77) of Section 2 of the Companies Act, 2013 and under Regulation 2(1) (zd) of the Listing Regulations.
- o. **“Related Party Transaction/s (RPT’s)”** shall mean such transactions as specified under the Section 2 of the Companies Act, 2013 and the Rules made thereunder and Regulation 2(1)(zc) of the Listing Regulations, including any amendment or modification thereof, as may be applicable.
- p. **“Net Worth”** shall have the meaning ascribed to such term under sub-section (57) of Section 2 of the Companies Act, 2013.
- q. **“Turnover”** shall have the same meaning as specified under section 2(91) of the Companies Act, 2013.
- r. **“Ordinary course of business”** if transactions satisfy any of the following criteria, such transactions will be generally in the ordinary course of business:

- i. The memorandum of Association of the Company should cover such transaction;
- ii. There are previous instances of the Company having carried out such transaction;
- iii. These transactions are frequent over a period of time;
- iv. The transaction should be in furtherance of the business objectives of the Company;
- v. The transactions, if not frequent, are important to the business objectives of the Company;
- vi. The transactions are incidental to Chemical industry/ part of standard industry practice or but for which the business would be adversely affected.

This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances. means such transaction as may be so determined based on the guiding principles set down under Appendix A, which may be amended from time to time in accordance with the statutory requirements and other industry practices and guidelines.

- s. **“Material Related Party Transaction/s”** shall have the same meaning ascribed to such term under Regulation 23 (1) read with 23 (1A) of the Listing Regulations.
- t. **➤ “Material Modification”** means any modification, amendment or waiver or supplement or consent with respect to a related party transaction or contract which were approved by the Audit Committee / Board / Shareholders, as the case may be, which is likely to result in material impact on terms and timing of such transaction or contract including variation of more than 20% in the pre-approved related party transaction value or price of such transaction or contract.

➤ Effective April 1, 2022.

#### **4. Approving Authority**

##### **A. Approval of Audit Committee:**

All RPTs shall be referred to the Audit Committee for prior approval, irrespective of its materiality, whether at a meeting or by passing of a circular resolution. Any

subsequent material modifications shall also be referred to the Audit Committee for prior approval, whether at a meeting or by passing of a circular resolution.

The Audit Committee shall also approve any subsequent material modification of RPTs; if any. Further, any variations against the pre-approved transactions will be placed before the Audit Committee for ratification.

Related Party Transactions with the wholly owned subsidiaries are exempted from any approval requirement and would require only periodical reporting, preferably on quarterly basis.

**Omnibus Approval:**

The Audit Committee may also grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company, which are routine and repetitive in nature, if the transactions satisfy the following conditions:

- i. Such related party transactions are repetitive in nature.
- ii. Specific need of such omnibus approval i.e. the transactions are in the best interest of the Company.

In terms of Regulation 23 (3) of the Listing Regulations, the Audit Committee may grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company and such omnibus approval shall specify:

- i. the name/s of the related party,
- ii. nature of transaction,
- iii. duration/period of transaction,
- iv. maximum amount of transaction that can be entered into,
- v. the indicative base price / current contracted price and the formula for variation in the price, if any and
- vi. such other conditions as the Audit Committee may deem fit.

Where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One (1) crore per transaction.

In terms of Regulation 23 (3)(b) of the Listing Regulations, the Audit Committee may grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company only after satisfying itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.

In term of Regulation 23 (3)(e) of the Listing Regulations, the omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

#### **B. Approval of the Board of Directors**

All Material Related Party Transactions which are subject to the approval of the shareholders of the Company shall require the approval of the Board at a meeting thereof. Further, all Related Party Transactions which are not in the ordinary course of business or not on an Arm's Length basis shall require the prior approval of the Board at a meeting thereof and required compliances prescribed under section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended, from time to time.

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

The following Related Party Transactions shall be subject to prior approval of Shareholders of the Company by way of a resolution:

- i. All Material Related Party Transactions;
- ii. Related Party Transactions, which are not in the ordinary course of business or not executed at an arm's length basis, exceeding the threshold limits as may be prescribed under the Section 188 Companies Act 2013 and the Rules made thereunder (as amended from time to time).  
Explanation- (1) The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

### **5. STANDARDS FOR REVIEW**

- i. The agenda of the Audit Committee/ Board meeting shall inter-alia consist of the following for review:
  1. the name of the related party and nature of relationship with the Company or its subsidiary;
  2. the nature, duration of the contract and particulars of the contract or arrangement;
  3. the material terms of the contract or arrangement including the value, if any;
  4. any advance paid or received for the contract or arrangement, if any;
  5. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  6. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
  7. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
  8. any other information relevant or important for taking a decision on the proposed transaction.
  
- ii. While approving/ material modifications/ ratifying/ recommending a Related Party Transaction, Audit Committee/ Board shall review and consider the following, in accordance with the standards set forth in this Policy:
  - a) the Related Party's interest in the transaction;
  - b) whether the transaction was undertaken in the ordinary course of business of the Company;
  - c) whether the transaction with the Related Party is on at arms' length basis;
  - d) the purpose of, and the potential benefits to the Company from the transaction;
  - e) Whether there are any compelling business reasons for the Company to enter into the transaction;

- f) Whether the transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
  - g) Whether the transaction would impair the independence of an otherwise Independent Director or Nominee Director;
  - h) Whether the Company was notified about the transaction before its commencement and if not, why pre-approval was not sought for and whether subsequent ratification would be detrimental to the Company; and
  - i) Whether the transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee / the Board deems relevant and appropriate.
  - j) required statutory and public disclosure, if any; and
  - k) any other information regarding the transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / Shareholders, as applicable, in light of the circumstances of the particular transaction.
- iii. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 102 of the Companies Act, 2013 shall contain the following particulars namely: -
- a) summary of the transaction provided by the management to the Audit Committee/ Board;
  - b) Justification as to why the transaction is in the interest of the Company;
  - c) any other information relevant or important for the members to take a decision on the proposed resolution.

## **6. RATIFICATION OF RELATED PARTY TRANSACTIONS**

Where any contract or arrangement is entered into by a Director or employee of the Company with Related Party without obtaining the consent of the Board or approval



of Shareholders, and if the same is not ratified by the Board or Shareholders as the case may be within 3 (three) months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, at the option of the Shareholders.

## **7. Disclosures & Reporting**

- i. This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.
- ii. A summary statement of Related Party Transactions entered into by the Company shall be submitted to the Audit Committee in quarterly meetings for information, review and noting.
- iii. The details of Related Party Transactions shall be disclosed in the Annual report of the Company, the Stock Exchanges and other regulatory bodies as per the provisions of Indian Accounting Standards, the Companies Act, 2013, Listing Regulations or any other applicable laws and regulations.
- iv. The Company shall submit disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website from the date of publication of its standalone and consolidated financial results for the half year as per Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015.

## **8. Review and amendments**

- i. Based on the recommendations of the Audit Committee, the Board, may review or amend this Policy at any time without any prior intimation and establish further rules or procedures, periodically and as required under the Companies Act, 2013, Listing Regulations, to give effect to this Policy.
- ii. In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments,

rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

- iii. Further the Board of Directors or such Committee authorised by the Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or such Committee authorised by the Board in this respect shall be final and binding. Further the said policy shall be reviewed by the Board of Directors or any Committee authorised by the Board at least once every three years and updated accordingly.

Any questions and clarifications relating to this Policy should be addressed to the Company Secretary at **arvind\_bajoria@kilburnengg.com**