

# KEERTHI INDUSTRIES LIMITED

## POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTIES TRANSACTIONS

### 1. Introduction:

The Board of Directors of Keerthi Limited (“the Board”) has adopted following Policy and procedures with regard to Materiality of Related Party Transactions and dealing with Related Party Transactions of the Company with effect from 1st April, 2022.

### 2. Purpose:

The Regulation 23 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended (“Listing Regulations”) requires all listed companies to formulate a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors. The regulation further requires that the audit committee of Company 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. This Policy has been framed for complying with above requirement.

### 3. 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. “**Associate Company**” shall mean “Associate Company” as defined in Section 2 (6) of the Companies Act, 2013.
- iv. “**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.
- v. “**Company**” means Keerthi Industries Limited.
- vi. “**Director**” means a person as defined in Section 2 (34) of the Companies Act, 2013.
- vii. “**Employees**” shall mean the employees and office-bearers of the Company, including but not limited to Directors.
- viii. “**Government Company**” shall mean “Government Company” as defined in Section 2 (45) of the Companies Act, 2013 read with related rules issued thereon.
- ix. “**Key Managerial Personnel**” shall mean “Key Managerial Personnel” as defined in Section 2 (51) of the Companies Act, 2013 read with related rules issued thereon.
- x. “**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.

- xi. Material Modification means increase in value of transactions approved by Audit Committee by 20 %.
- xii. **“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.”
- xiii. **“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.
- xiv. **“Policy”** means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.
- xv. **“Relative”** shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.
- xvi. **“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.

xvii. **“Related Party Transaction or transactions”** means a transaction involving a transfer of resources, services or obligations between:

- (i) a 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);

#### 4. Policy:

##### - Procedure

#### A. Identification of Potential Related Party Transactions:

For the purpose of identification of Potential Related Party Transactions, each director and Key Managerial Personnel shall give notice of disclosure of interest on an annual basis and upon any subsequent modifications in the last disclosure provided. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.

**B. Review and approval of Related Party Transactions:**

**Audit Committee approval:**

1. 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 whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder or Listing Regulations from time to time, subject to the following:

**a) Omnibus Audit Committee approval:**

- i. The Audit Committee may grant omnibus approval for Related Party Transactions provided it is satisfied that there is a need to grant such approval and the same is in the interest of the Company. Such approval may be granted by Audit Committee for the proposed transactions subject to the following:

- i. Transactions are repetitive/frequent in nature;
- ii. Transactions are conducted at Arm's Length basis;
- iii. Transactions are in the ordinary course of business;

- ii. Such omnibus approval shall specify the following:

- Name/s of the related party
- Nature of transaction
- Period of transaction
- Maximum amount of transaction that can be entered into
- The indicative base price/current contracted price and the formula for variation in the price if any and
- Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/amended. Any proposed variations/amendments to these factors shall require a prior approval of the Audit Committee.

- iii. Provided that where the need for related party transaction cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.1 Crore per transaction.
- iv. The 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. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the same.

**Board of Directors and Shareholders' approval:**

In accordance with Section 188 of the Companies Act, 2013 and Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

1. Board of Directors and Shareholders' approval in terms of Companies Act, 2013:

All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors.

Provided the transactions as prescribed below shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder:

Transaction covered	Transaction value
Sale, Purchase or supply of any goods or materials directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*	Amounting to 10 % or more of Net Worth
Leasing of property of any kind*	Amounting to 10 % or more of Turnover
Availing or rendering of any services directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration > Rs. 2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	>1% of 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.*

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution.

2. **Board of Directors and Shareholders' approval in terms of Listing Regulations:**

The Listing Regulations require a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. The Company has fixed its materiality threshold at the level prescribed under Explanation to Regulation 23(1) the Listing Regulations (w.e.f. 01/04/2022 Provided that 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.). Accordingly, in terms of Regulation 23 of the Listing Regulations, all Material Related Party Transaction and subsequent material modifications as defined by the audit committee shall be recommended by the Board of Directors to the Shareholders for their approval by way of Ordinary Resolution.

No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

**5. Exemption from obtaining approval in terms of the 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. Where transactions entered into between the company and its wholly owned subsidiary(s) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- ii. Transactions entered into between two wholly-owned subsidiaries, whose accounts are consolidated with the 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.

The Company shall avail exemptions granted under section 188, 177 of Companies Act, 2013 and/or the applicable provisions of The SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended from time to time and after fulfilling conditions and requirements specified therein.

Keerthi Industries do not have any subsidiary company.

**6. Related Party Transactions 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 consider all of the relevant facts and circumstances regarding the Related Party Transactions, and shall evaluate all options available to the Company, including ratification by it or recommending the Board for their ratification or seeking approval of Shareholders, revision or termination of the Related Party Transactions.

**7. 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 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.

The Company shall disclose this Policy on its website. 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. 01/04/2022) 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.

## **8. Interpretation**

- a) 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.
- b) 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 in such a case 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 outside expert as it deems fit.

## **9. Policy 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.

This Policy is approved at the meeting of Board of Directors of the Company held on 14.02.2022

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