

## **KAJARIA CERAMICS LIMITED**

### **RELATED PARTY TRANSACTION POLICY**

#### **1. PURPOSE**

This Policy was originally formulated pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and revised in accordance with the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the '**Listing Regulations**') & Sections 177 and 188 of the Companies Act, 2013 read with Rules made thereunder (the '**Act**') [including amendments/modifications thereof, from time to time].

This Policy aims to determine the materiality of Related Party Transactions ('RPTs') and to deal with RPTs of Kajaria Ceramics Limited (the 'Company') pursuant to the applicable provisions of the Listing Regulations and the Act.

#### **2. DEFINITION(S)**

**'The Audit Committee or Committee'** means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and/or Act.

**'The Board'** means Board of Directors of the Company.

**'Control'** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**'Key Managerial Personnel'** means Key Managerial Personnel as defined under the Act and includes the following:

- Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- Company Secretary;
- Chief Financial Officer; and
- Such other officer(s), as may be prescribed.

**'Material Related Party Transaction'** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding anything contained 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 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**"Material Modifications"** means such change to the terms of an approved Related Party Transaction, which would have been material information in the Audit Committee's decision to approve the Related Party Transaction ('RPT'), including but not limited to material changes of any on-going RPT, as originally approved by the Audit Committee and/or the

Shareholders of the Company (if required), having a significant impact in the nature, value, duration, purpose, terms and covenants of the RPT.

For the avoidance of doubt, it is provided that the following changes shall in all circumstances be deemed to be Material Modification:

- change of at least 20% in the value of the Related Party Transaction;
- change in the party(ties) to the Related Party Transaction; and
- change in the duration of the Related Party Transaction beyond a period of 1 year.

The Audit Committee shall decide, from time to time, any other criteria for defining the Material Modification in any related party transaction.

**'Policy'** means Policy on materiality of Related Party Transactions and dealing with Related Party Transactions or Related Party Transaction Policy.

**'Related Party'** means a related party as defined in the Act and Regulation 23 read with Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time.

**'Related Party Transaction'** means a transaction as defined under the Act and Regulation 23 read with Regulation 2(1)(zc) of the Listing Regulations, as amended from time to time.

**'Relative'** means relative as defined in the Act, as amended from time to time.

### **3. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION(S)**

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed transaction.

### **4. APPROVALS AND REVIEW**

#### **I. Approval / Review by the Audit Committee**

- a) All RPTs including any modification / subsequent material modification thereof shall require prior approval of the Independent Directors, who are the members of the Audit Committee.
- b) The maximum value of any transaction (individually or taken together with previous transactions) with Related Party will not exceed 10% of annual consolidated turnover during a financial year, unless the shareholders' approval. The said limit will be reviewed by the Board of Directors of the Company, once in every three years' period.
- c) A related party transaction to which the subsidiary of the Company is a party but Company is not a party, shall require prior approval of the Audit Committee of the Company, if the value of such transaction whether entered into individually or taken together with previous

transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.

- d) With effect from April 1, 2023, a related party transaction to which the subsidiary of Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- e) Prior approval of the Audit Committee shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Sub-regulation (2) of Regulation 15 of the Listing Regulations are applicable to such listed subsidiary. For such Related Party Transactions, the prior approval of the Audit Committee of the listed subsidiary shall suffice.
- f) Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- g) The Audit Committee shall review the status of long term (more than one year) or recurring Related Party Transactions on an annual basis.
- h) To review and approve a Related Party Transaction, the Audit Committee shall be provided the following information:
  - a) Material terms including type, particulars of the proposed transaction;
  - b) Name of the Related Party and its relationship with the Company or its subsidiary, including nature of its concern or interest;
  - c) Tenure and value of the proposed transaction;
  - d) The transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
    - (i) details of the source of funds in connection with the proposed transaction;
    - (ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
      - nature of indebtedness;
      - cost of funds; and
      - tenure;
    - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    - (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
  - e) Justification as to why the Related Party Transaction is in the interest of the Company;
  - f) A copy of the valuation or other external party report, if any, on which the management has been relied upon for the transaction(s);
  - g) Any other information that may be relevant and prescribed under the applicable laws/regulations, from time to time.
- i. In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the transaction:
  - a) Matters required as prescribed under the Listing Regulations and the Act read with the SEBI's Circulars/Notifications issued from time to time (including amendments thereof from time to time).

- b) Whether the terms of the Related Party Transaction are fair and at an arms' length basis to the Company and would apply on the same basis, if the transaction did not involve a Related Party;
  - c) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
  - d) Whether the Related Party Transaction would affect the independence of an independent director;
  - e) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
  - f) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company;
  - g) Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
- k. The Audit Committee may grant Omnibus Approval for Related Party Transaction(s) proposed to be entered into by the Company, subject to the following conditions:
- (i). The Audit Committee to (on approval of the Board) lay down the criteria for granting the omnibus approval in line with this Policy in respect of Transactions which are repetitive in nature;
  - (ii). The Audit Committee to satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
  - (iii). Such omnibus approval shall specify (i) the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into and (ii) such other conditions as the Audit Committee may deem fit;
  - (iv). Where the need for proposed transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction;
  - (v). The Audit Committee to review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given;
  - (vi). Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year;
  - (vii). In case of transaction, other than transactions referred to in Section 188 of the Act, and where the Audit Committee does not approve the transaction, it shall make its recommendations to the Board;
  - (viii). In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Company against any loss incurred by it.

## II. Approval of the Board of Directors of the Company:

- a) If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at its meeting

and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

- b) All the related party transactions prescribed under Section 188 of the Act read with the Listing Regulations, which are not in the ordinary course of business or not at an arm's length basis and all material related party transactions will be brought before the Board and the Board shall consider and approve the related party transaction at its meeting.
- c) Any member of the Board who is interested or has potential interest (as mentioned under Section 184 of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.
- d) The following information shall be provided to the Board for approval of Related Party Transaction(s):
  - The name of the related party / nature of relationship;
  - The details including material terms with value (if any), nature, duration and any advance paid or received (if any) related to the contract or arrangement;
  - Any other information relevant or important for the Board to take a decision on the proposed transaction or prescribed under the applicable laws.

### III. Approval of the Shareholders of the Company:

- a. All the material related party transactions with related parties exceeding the materiality thresholds shall require prior approval of the shareholders of the Company through resolution. For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not.

Notwithstanding anything contained above, the related party transaction which crosses the materiality threshold and subsequent material modifications thereof shall require shareholders' prior approval by a resolution.

- b. In addition to the above, all kinds of transactions specified under Section 188 of the Act, which (a) are not at an arm's length basis or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders of the Company for its approval.
- c. The notice sent to the shareholders seeking prior approval for any Related Party Transaction, shall include the information as a part of the explanatory statement as prescribed under the Act read with the Listing Regulations and the circular/notification issued thereunder, from time to time.
- d. This requirement for shareholders' approval shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- e. The following Related Party Transactions shall not require approval of Audit Committee or Shareholders of the Company:

- Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business; and
- Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro-rata as the Related Party.
- Any transaction for which no approval will be required as prescribed under the Act read with the Listing Regulations.

## **5. TRANSACTIONS WITH WHOLLY-OWNED SUBSIDIARIES**

- a) Provisions of Para 4 (I)(a), 4(I)K and 4(III)(a) of this Policy will not be applicable to any transaction with a wholly-owned subsidiary whose accounts are consolidated with the accounts of the Company and placed before the shareholders at the general meeting for approval.
- b) Any transaction entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **6. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter will be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the 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.

This Policy will be communicated to operational employees and other concerned persons of the Company.

## **7. DISCLOSURES**

- a) Particulars of RPTs shall be disclosed in such manner as may be prescribed under the Listing Regulations and/or the Act (including rules made thereunder), from time to time.
- b) This Policy shall be disclosed on the Company's website [www.kajariaceramics.com](http://www.kajariaceramics.com) and a web link thereto shall be provided in the Annual Report of the Company, if required under the applicable laws.

## **8. EFFECTIVE DATE**

This Policy shall be effective w.e.f. April 1, 2022, unless otherwise mentioned.

## **9. REVIEW / AMENDMENT**

The Board of Directors of the Company may, on recommendation of the Audit Committee of the Company, amend, abrogate, modify or revise any or all provisions of this Policy. However, amendments in the Listing Regulations/other applicable laws shall be binding even if not incorporated in this Policy.

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This revised Policy has been approved by the Board of Directors of the Company at its meeting held on May 17, 2022, on recommendation of the Audit Committee of the Company.