

KALYANI FORGE LIMITED

Related Party Transactions Policy

Further Policy is reviewed and modified on 2nd February, 2022 as per SEBI (Listing Obligation and Disclosure Requirements) (Sixth Amendment) Regulations, 2011 w.e.f 1.04.2022.

1. Introduction:

Kalyani Forge Limited (the "Company") recognises that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, this Policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The equity listing agreement with stock exchanges mandates formulation of a policy on transactions with Related Parties and dealing with Related Party Transactions. As part of its corporate governance practices, the Board of Directors (the "Board") of Kalyani Forge Limited has adopted the following policy and procedure with regard to Related Party Transactions.

2. Applicability

This Policy will be applicable to the Company to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

3. Purpose

This Policy is framed based on requirements and also to comply with the provisions of Section 188 of the Companies Act, 2013, applicable accounting standards and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (Listing Regulations), as amended or re-enacted from time to time and which is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

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4. Definitions

- a. "Act" shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re- enactment thereof.
- b. "Arm's Length basis" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm's Length basis, and meet criteria and guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- c. "Associate Company" means any other company, in which the 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, "significant influence" means Control of at least twenty per cent of total share capital, or of business decisions under an agreement.

- d. "Audit Committee" or "Committee" means "Audit Committee" of the Board of Directors of the Company.
- e. "Board of Directors" or "Board" means the Board of Directors of the Company.
- f. "Company" means Kalyani Forge Limited.
- g. "Key Managerial Personnel" means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.
- h. "Policy" means Related Party Transaction Policy of the Company.
- i. "Related Party" means a person or an entity:
 - which is a related party under section 2(76) of the Companies Act, 2013; or
 - which is a related party under the applicable accounting standards.

Related party under section 2(76) of the Companies Act, 2013 and applicable and rules made thereunder and applicable accounting standards are as follows-

- (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;

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- (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 or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) anybody 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 (vi) and (vii) above shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is—
 - A) a holding, subsidiary or an associate company of such company;
 - or
 - B) a subsidiary of a holding company to which it is also a subsidiary;
 - 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 persons as may be prescribed

As per the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, w.e.f. 1.4.2022, by the following:

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party

“Provided that:

- a. any person or entity forming a part of the promoter or promoter group of the listed entity; 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 listed entity 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

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- j. “Related Party Transaction” SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, w.e.f. 1.4.2022, by the following:

“(zc) “related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity 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 listed entity 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 listed entity 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)”.

- k. “Relatives”/ “Relative”, with reference to any person, means anyone who is related to another, if—

- a. they are members of a Hindu Undivided Family;
- b. they are husband and wife; or
- c. one person is related to the other person as:
 - i. Father (including step-father)
 - ii. Mother (including step-mother)
 - iii. Son (including step-son)
 - iv. Son’s wife
 - v. Daughter
 - vi. Daughter’s husband
 - vii. Brother (including step-brother)

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viii. Sister (including step-sister)

- l. “Material Related Party Transaction” shall mean a transaction to be entered into with a Related Party, individually or jointly with previous transactions during a financial year, exceeding the threshold of:
 - Transactions involving payments made with respect to brand usage or royalty exceeds 5% of annual consolidated turnover of company as per the last audited financial year.
 - In case of any other transaction(s), Rs. 1,000 Cr. Or 10% of the annual consolidated turnovers of company as per the last audited financial year.whichever is lower
- m. “Material Modification” Material modification will mean and include any modification to an existing related party transaction having variance of 50% of the existing limit as sanctioned by the Audit Committee. The Audit committee shall have right to decide material modifications from time to time.

5. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

5.1. Identification of potential Related Party Transactions:

- 5.1.1. KALYANI Group Companies: All the companies in KALYANI Group will be considered as Related Parties.
- 5.1.2. Key Managerial Personnel and connected Related Parties: Each Director and Key Managerial Personnel shall disclose to the Company Secretary of the Company its Related Parties. The Board shall record the disclosure of Interest. The Company shall also identify Related Party Transactions with Directors or Key Managerial Personnel of the holding company/ies or their relatives.
- 5.1.3. The Company will identify the potential transactions with the Related Parties.

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5.2. Review and approval of Related Party Transactions

Audit Committee:

Every Related Party Transaction and subsequent material modification shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Members who are Independent Directors shall approve related party transaction.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on an arm's length basis, subject to compliance of the conditions contained SEBI (Listing Obligations And Disclosure Requirements) 2015.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Companies Act, 2013 and Rules thereunder, and the applicable provisions of SEBI (Listing Obligations And Disclosure Requirements) 2015.

Transactions 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 the general meeting for approval shall not require prior approval of the Audit Committee.

Board:

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction or any subsequent material modification 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.

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Shareholders:

All the material Related Party Transactions or any subsequent material modification shall require prior approval of the shareholders through special resolution and the Related Party/ies with whom transaction is to be entered shall abstain from voting on such resolution.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through special resolution if so required under any law and the Related Parties shall abstain from voting on such resolution.

5.3. Material related party transactions

A transaction with a Related Party and any subsequent modification as defined shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the consolidated annual turnover as per the last audited financial statements of the Company.

6. Related party transactions not approved under this policy

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

7. General Principles

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- iii. The Audit Committee shall have the following powers with respect to Related Party Transactions:

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- To seek information from any employee.
 - To obtain outside legal or other professional advice.
 - To secure attendance of outsiders with relevant expertise, if it considers necessary
 - To investigate any Related Party Transaction.
- iv. The CFO of the Company is authorised to issue necessary guidelines/instructions for implementation of this Policy.
- v. The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

8. Disclosures

Details of all material transactions with Related Parties shall be disclosed to stock exchanges every six months as per the format provided on regular basis along with the compliance report on corporate governance.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

9. Amendments in law

Any subsequent amendment/modification in the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.
