

Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions

1. Introduction:

The Board of Directors of Mafatlal Industries 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, (SEBI LODR, 2015) as per the Third Amendment (“Listing Regulations”) requires all listed companies to formulate a Policy on materiality of Related Party Transactions and 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.

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. “**Subsidiary Company**” or “**Subsidiary**”, in relation to any other company (the holding company), means a company in which the holding company:
 - (i) controls the composition of the Board of Directors; or
 - (ii) exercises or controls more than one-half of the total share capital total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation. —For the purposes of this clause:

 - (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company.

- (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors.
- (c) the expression "company" includes anybody corporate.
- (d) "layer" in relation to a holding company means its subsidiary or subsidiaries
- v. **"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time.
- vi. **"Company"** means Mafatlal Industries Limited (MIL).
- vii. **"Director"** means a person as defined in Section 2 (34) of the Companies Act, 2013.
- viii. **"Employees"** shall mean the employees and office-bearers of the Company, including but not limited to Directors.
- ix. **"Government Company"** shall mean "Government Company" as defined in Section 2 (45) of the Companies Act, 2013 read with related rules issued thereon.
- x. **"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.
- xi. **"Senior Management"** shall mean officers/personnel of the Company who are members of the core management team excluding the Board of Directors and shall comprise all members of management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the "persons identified and designated as key managerial personnel, other than the board of directors, by the Company.
- xii. **"Material Related Party Transaction"** In accordance with Regulation 23 of the Listing Regulations, 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 considered material if the transaction(s) to be entered into individually or taken 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** or such other limit as may be specified in the applicable Regulation as amended from time to time.

- xiii. **Material Modification** means an increase in the value of transactions approved by the Audit Committee by 20%.
- xiv. **“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.”
- xv. **“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 an ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.
- xvi. **“Policy”** means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.
- xvii. **“Relative”** shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.
- xviii. **“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 1st April 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 immediately 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 1st April 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 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 SEBI.

4. Policy:

A. Identification of Related Party Transactions:

For the purpose of identification of Related Party Transactions, each director, manager 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 SEBI (LODR) 2015 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 through electronic mode 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 for MIL or its subsidiaries Related Party Transactions:

- 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 the Audit Committee for the proposed transactions subject to the following:
 - i. Transactions are repetitive/frequent in nature.
 - ii. Transactions are conducted on an 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 transactions 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 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, the 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 or its subsidiaries pursuant to each of the omnibus approvals 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.

b. Prior Approval of the Audit Committee for MIL or its subsidiaries Related Party Transactions:

- i)** Related Party Transaction to which the subsidiary of the 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary company.
- ii)** Remuneration and sitting fees paid by the Company or its subsidiary to its director,

key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of Regulation 23 (1) of the SEBI (LODR) regulation 2015.

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

In accordance with Section 188 of the Companies Act, 2013 and SEBI LODR, 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 agent*	Amounting to 10 % or more of Turnover of the Company.
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent*	Amounting to 10 % or more of Net Worth of the Company.
Leasing of property of any kind*	Amounting to 10 % or more of Turnover of the Company.
Availing or rendering of any services, directly or through appointment of agent*	Amounting to 10 % or more of Turnover of the Company.
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 transactions 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.

In the case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

2. **Board of Directors and Shareholders' approval in terms of SEBI (LODR), 2015:**

The SEBI LODR 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 Company 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 SEBI LODR, the following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

- i. Transactions entered into between two Public Sector Companies.
- ii. Transactions entered into between Mafatlal Industries Limited and its wholly owned subsidiary, if any, whose accounts are consolidated with Mafatlal Industries Limited and placed before its shareholders at the general meeting for approval.

- iii. Transactions entered into between two wholly-owned subsidiaries of Mafatlal Industries Limited, if any, whose accounts are consolidated with Mafatlal Industries Limited and placed before the shareholders at the general meeting for approval.
- iv. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on the one hand and the Central Government or any State Government or any combination thereof on the other hand.
- v. Transactions entered into between a public sector company on the one hand and the Central Government or any State Government or any combination thereof on the other hand.

However, an approval of Audit Committee and Board of Directors/ Shareholders (to the extent applicable), as the case may 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 of exemptions granted under sections 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.

6. Ratification of Related Party Transactions

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions: -

- a. The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore.
- b. The transaction is not material in terms of the provisions of Regulation 23(1) of the SEBI (LODR) Regulations, 2015.
- c. Rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification.
- d. The details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) of the SEBI (LODR)

Regulations, 2015 and any other conditions as directed by the Audit Committee.

Provided that, failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorized by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

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 and a web link thereto shall be provided in the Annual Report. In addition to the above, the Company shall disclose related party transactions from time to time in the prescribed format as may be required by the statutory authorities.

8. Interpretation

- a. Any words used in this Policy but not defined herein shall have the same meaning as 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 between 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 LODR.

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 incorporated 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 to the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.

Approved by the Board on 29th March 2022 effective from 1st April 2022.

Reviewed by the Audit Committee and Board on 28th March 2024.

Reviewed and amended by the Audit Committee and Board on 4th February 2025.