



CIN: L15420PN1933PLC133303

POLICY ON RELATED PARTY TRANSACTIONS

REVISED

(Pursuant to Regulation 23(1) of the SEBI (LODR) Regulations, 2015)

1. INTRODUCTION

In accordance with the provisions of Clause 49(VII)(C) of the Listing Agreement entered into by the Company with the Stock Exchanges, the Board of Directors ("**the Board**") of Tilaknagar Industries Ltd. ("**the Company**") had initially adopted the Policy on Related Party Transactions on November 14, 2014.

In order to align the content of the Policy with the provisions of the SEBI (LODR) Regulations, 2015 ("**Listing Regulations**"), the Board had, based on the recommendation of the Audit Committee, adopted the revised Policy on June 09, 2016¹.

In order to align the content of the Policy with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the Board has, based on the recommendation of the Audit Committee, adopted this revised Policy on February 14, 2019².

In order to align the content of the Policy with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the Board has, based on the recommendation of the Audit Committee, adopted this revised Policy on July 31, 2020.

This Policy shall be reviewed by the Board at least once every three years and updated accordingly, based on the recommendation of the Audit Committee, to incorporate any subsequent amendment(s)/modification(s) in the Listing Regulations³ with respect to matters covered under this Policy or otherwise⁴.

2. OBJECTIVE

The objective of this Policy is to lay down criteria for identifying Material Related Party Transactions and to provide framework for governance and reporting of the Related Party Transactions.

3. DEFINITIONS

"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.

¹ Newly inserted on June 09, 2016

² Newly inserted on February 14, 2019

³ Newly inserted on February 14, 2019

⁴ The existing clause has been amended to align the same with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018

“Associate Company” means any company which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

“Audit Committee” or **“Committee”** means the Committee of the Board constituted/re-constituted under the provisions of Regulation 18 of the Listing Regulations⁵ read with Section 177 of the Companies Act, 2013 as in force from time to time.

“Board of Directors” or **“Board”** means the Board of Directors of Tilaknagar Industries Ltd. as constituted/re-constituted from time to time.

“Company” means Tilaknagar Industries Ltd.

“Key Managerial Personnel” means Key Managerial Personnel as defined under the provisions of the Companies Act, 2013 from time to time.

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations.

“Policy” or **“this Policy”** means Policy on Related Party Transactions.

“Relative” shall have the same meaning as assigned to such term under the Companies Act, 2013 read with Regulations 2(zd) of the Listing Regulations⁶, as in force from time to time.

“Related Party” means an entity considered as a related party under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards.

Any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall also be considered as a related party⁷.

“Related Party Transaction” means transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged. A “transaction” with a related party shall be constructed to include single transaction or a group of transactions in a contract.

“Senior Management” mean officers/personnel of the Company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the Board) and specifically including Company Secretary and Chief Financial Officer⁸.

“Subsidiary” means existing or future Subsidiaries of the Company.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

⁵ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

⁶ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

⁷ Newly inserted on February 14, 2019

⁸ The existing clause has been amended to align the same with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 shall have the meaning assigned to them therein.

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

4.1 Identification of Related Party Transactions

Every Director and Key Managerial Personnel of the Company shall disclose to the Company, details of all their relatives, firms/body corporates and their corresponding interests therein, that may fall within the definition of a "Relative"/ "Related Party" (*vis-à-vis* the Company) on an annual basis and shall also disclose to the Company, any changes in the above details immediately on becoming aware of such changes.

It shall be responsibility of every Director and/or Key Managerial Personnel of the Company to take prior approval of the Committee/Board/Shareholders as the case may be before entering into any Related Party Transaction. For this purpose, the Director and/or Key Managerial Personnel of the Company shall give notice to the Company Secretary of any Related Party Transaction proposed to be entered by them along with the details, if any, which are required to be placed before the Committee/ Board/ Shareholders as the case may be in accordance with the provisions of the Companies Act, 2013 and/or Listing Regulations⁹.

Senior Management shall also make disclosures to the Company Secretary relating to all material, financial and commercial transaction, where they have personal interest that may have a potential conflict with the interest of the Company at large.

The Committee/ Board may undertake an independent assessment of transactions proposed to be executed by the Company in order to ascertain whether the same are proposed to be executed with Related Parties.

4.2 Review And Approval Of Related Party Transaction

A) Approval of Audit Committee

Unless otherwise specified under the provisions of the Companies Act, 2013 and the Listing Regulations¹⁰, all the Related Party Transactions which are in the ordinary course of business and are at arm's length basis shall require prior approval of the Audit Committee.

The Audit Committee may grant an omnibus approval for certain Related Party Transactions, subject to the conditions as laid down under Regulations 23 of the Listing Regulations¹¹ and Companies Act, 2013¹². The Audit Committee shall review, at least on quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given by the Audit Committee.

⁹ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

¹⁰ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

¹¹ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

¹² Newly inserted on June 09, 2016

B) Approval of Board

All the Related Party Transactions falling under the provisions of Section 188(1) of the Companies Act, 2013, which are not in the ordinary course of business and/or at arm's length basis and are not exceeding the threshold laid down under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 as in force from time to time, shall be placed before the Board for its approval after review thereof by the Audit Committee.

C) Approval of Shareholders

The following related party transactions falling under any of the criteria mentioned below shall be placed before the Shareholders for approval duly recommended by the Board:

- (i) Material Related Party Transactions as specified under Clause 5.1 of this Policy;
- (ii) Related Party Transactions falling under Section 188(1) of the Companies Act, 2013 which are not in the ordinary course of business and/or at arm's length basis and exceed the thresholds laid down under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 as in force from time to time.

The Company shall ensure that the restrictions on voting by Related Parties and provisions regarding disclosure in explanatory statement annexed to the Notice of a General Meeting as prescribed under the provisions of the Companies Act, 2013 and the Listing Regulations¹³ are complied with while seeking the approval of the shareholders in this regard.

D) Procedure of Review and Approval of Related Party Transactions

To approve any Related Party Transaction, the approving authority i.e. Committee/Board/Shareholders as the case may be shall be provided with all the relevant material information about such transaction as prescribed under the provisions of the Companies Act, 2013, Rules made there under and the Listing Regulations¹⁴.

In determining whether to approve a Related Party Transaction, the following factors, among others, to the extent relevant to such Related Party Transaction shall be considered by the approving authority:

- (i) whether such transaction is in the ordinary course of business, fair and at arms' length basis;
- (ii) whether there is any compelling business reason for the Company to enter into such transaction and the alternatives available with the Company, if any;
- (iii) whether such transaction will affect the independence of any Independent Director;

¹³ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

¹⁴ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

- (iv) whether such transaction may cause any potential reputational risk issues for the Company;
- (v) whether such transaction is in conflict of interest for any Director and/or Key Managerial Personnel.

E) Exemption

The following transactions shall be exempt from the abovementioned provisions:

- i) Any transaction that involves providing of reimbursements or advances to a Director and/or Key Managerial Personnel to meet expenditure in the course of performance of his or her duties;
- ii) Any transaction in which the interest of Related Party arise 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;
- iii) Any transaction entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the Shareholders at the General Meeting for approval; and
- iv) Any other transaction that may be exempt under the provisions of the Companies Act, 2013, Rules made there under and the Listing Regulations¹⁵.

5. MATERIAL RELATED PARTY TRANSACTIONS

5.1. In terms of the provisions of Regulations 23(1) of the Listing Regulations¹⁶ a Related Party Transaction which individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company shall be considered as Material Related Party Transaction.

A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material related party transaction if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five ¹⁷ percent of the annual consolidated turnover of the Company as per its last audited financial statements¹⁸.

5.2. All Material Related Party Transactions shall require approval of the Shareholders through Resolution¹⁹. The Company shall ensure the restrictions on voting by Related Parties as prescribed under the provisions of the Companies Act, 2013 and the Listing Regulations²⁰ as in force from time to time are complied with while seeking the approval of the shareholders in this regard.

¹⁵ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

¹⁶ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

¹⁷ Substituted for the word "two" by SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019, w.e.f. July 31, 2020

¹⁸ Newly inserted on February 14, 2019

¹⁹ The existing clause has been amended to align the same with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018

²⁰ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

6. DISCLOSURES AND REPORTING OF RELATED PARTY TRANSACTIONS

Related Party Transactions falling under the provisions of Section 188(1) of the Companies Act, 2013 shall be referred to in the Board's Report to the Shareholders along with justification for entering into such transaction.

The Company shall maintain the Registers prescribed under the Companies Act, 2013 with respect to the Related Party Transaction and also make necessary disclosures as may be prescribed under the provisions of the Companies Act, 2013, Rules made there under and the Listing Regulations²¹ in this regard.

The Company shall upload this Policy on its website and a web link thereto shall be provided in the Annual Report.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event of a Related Party Transaction entered by Director and/or Key Managerial Personnel of the Company in violation of this Policy, the Committee/Board, on becoming aware of such transaction, shall evaluate all options available to the Company under the provisions of the Companies Act, 2013 and Rules made there under, including but not limited to ratification, revision or termination etc. of such Related Party Transaction.

8. SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Regulations²² /Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations²³ /Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

²¹ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

²² Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016

²³ Reference to the provisions of Listing Agreement replaced with reference to the provisions of Listing Regulations on June 09, 2016