

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Board of Directors (the “**Board**”) of Kirloskar Industries Limited (“**KIL/Company**”) has adopted this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (the “**Policy**”) in compliance with the requirements of Section 188 of the Companies Act, 2013 (the “**Act**”) and Rules thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (the “**Regulations**”).

On 12 December 2024, SEBI notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2024 (the Amendment Regulations, 2024), which came into force on 12 December 2024. Under the Amendment Regulations, 2024, SEBI has *inter alia* amended Regulation 23 of the Regulations that deals with related party transactions. Further, the SEBI *vide* circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 dated 26 June 2025, has issued Industry Standards for “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions” (“**Industry Standards**”), which superseded the Circular no. SEBI/HO/CFD/CFD-PoD2/P/CIR/2025/18 dated 14 February 2025, and Circular no. SEBI/HO/CFD/CFDPoD-2/P/CIR/2025/37 dated 21 March 2025, and is applicable with effect from 1 September 2025. The said Industry Standards have been modified by the SEBI Circular dated 13 October 2025. If a particular Industry Standard or any part thereof becomes inconsistent with subsequent changes in the Regulations and/or SEBI Circular, the provisions of the Regulations and/or the SEBI Circular shall prevail.

On 18 November 2025, SEBI has, *vide* the SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2025 *inter alia* amended Regulation 23 of the Regulations with effect from 19 December 2025, that deals with related party transactions. In view of the aforesaid, this Policy has been amended in accordance with the provisions of the said amendments in the Regulations and the Industry Standards.

This Policy will be applicable to the Company with effect from 19 December 2025.

This Policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with applicable Laws and Regulations.

II. DEFINITIONS

1. “**Related Party**” shall have the same meaning as assigned to it in the Act and the Regulations, as may be amended from time to time.
2. “**Related Party Transaction (RPT)**” shall have the same meaning as assigned to it in the Act and the Regulations, as may be amended from time to time.
3. “**Materiality of Related Party Transactions (MRTP)**” means:

- i. a transaction / transactions to be entered into individually or taken together with previous transactions during a financial year with a Related Party exceeding 10% of the annual consolidated turnover of the Company, as per the last audited financial statements of the Company; and/or
 - ii. a transaction involving payments made to a Related Party with respect to brand usage or royalty to be entered into individually or taken together with previous transactions during a financial year, which exceeds 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
4. **“Arm’s length transaction”** shall have the same meaning as assigned to it in the Act, as amended from time to time.
5. **“Senior Leadership Team”** means an employee, one level below the Managing Director / Executive Director, which includes but is not limited to heads of business units.
6. **“Subsequent Material Modification”** shall mean at the subsequent stage, a price of the Related Party Transactions either increased or decreased by 20% of the original value due to change in terms and conditions as compared to the original approved transaction.

Any other term not defined herein shall have the same meaning as defined in the Act, the Regulations, the Securities Contract Regulation Act or any other law or regulation as applicable to the Company.

III. APPROVAL REQUIREMENTS

A. Audit Committee:

1. All RPTs and subsequent modifications shall require prior approval of the Audit Committee and the Board of the Company. The approval of the Audit Committee may be granted by way of a Circular Resolution.

Provided that

- a. a Related Party Transaction and Subsequent Material Modification thereto where 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 10% of the annual consolidated turnover, as per the last audited financial statements of the Company;
- b. a Related Party Transaction above Rupees 1 Crore, whether entered into individually or taken together with previous transactions during a financial year, 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 exceeds the lower of the following:

- (i) 10% of the annual standalone turnover of the subsidiary as per its last audited financial statements; or
 - (ii) 10% of the annual consolidated turnover of the Company as per its last audited financial statements.
- c. In the event of a Related Party Transaction above Rupees 1 Crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of the Company is a party but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the Audit Committee of the Company shall be obtained if the value of such transaction exceeds the lower of the following:
 - (i) 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary, as on the date, not older than three months prior to the date of seeking approval of the Audit Committee; or
 - (ii) the threshold for Material Related Party transactions of the Company, as defined in Clause II(3)(i) above.
- d. Prior approval of the Audit Committee of the Company 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 Regulations are applicable to such listed subsidiary.
- e. For Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred in (d) above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.
- f. Prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction(s) entered into between a holding company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the General meeting for approval.
- g. Prior approval of the Audit Committee of the Company shall be required for remuneration and sitting fees paid by the Company or its subsidiary to its Director, Key Managerial Personnel or Senior Management forming part of Promoter and Promoter Group.
- h. Prior approval of the Audit Committee of the Company shall be required for remuneration and sitting fees paid by the Company or its subsidiary to its Director, Key Managerial Personnel or Senior Management, which is material as defined above.

- i. Prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction(s) 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.
- j. Prior approval of the Audit Committee of the Company shall not be required for subsequent modification to transactions with related parties which are only covered under Regulations, which is not a material modification.

Further, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary, subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions, and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee shall satisfy itself, the need for such omnibus approval and that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify:
 - i. the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - ii. the indicative base price / current contracted price and the formula for variation in the price, if any, and
 - iii. such other conditions as the Audit Committee may deem fit,

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 Rupees 1 crore per transaction.

- d. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- f. 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:
 - (i) the value of the ratified transaction(s) with a Related Party, whether entered into individually or taken together, during the financial year shall not exceed Rupees one crore;

- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of Regulation 23;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of Related Party Transactions in terms of the provisions of sub-regulation (9) of Regulation 23;
- (v) any other condition as specified 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 authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

B. Board of Directors:

- I. If the Audit Committee determines that the proposed Related Party Transaction is in the ordinary course of business and on an arm's length basis, the Board shall consider the following factors while deliberating Related Party Transactions for its approval:
 - a. Review of factors considered by the Audit Committee for its approval to the proposed Related Party Transaction.
 - b. Any other factor which the Board deems relevant.
- II. If the Audit Committee determines that the proposed Related Party Transaction is not in the ordinary course of business and / or not on an arm's length basis, the Board shall consider the following factors while deliberating Related Party Transactions for its approval:
 - a) Whether the proposed Related Party Transaction is within the threshold as specified under Point no. (C) below this Policy.
 - b) Justification for entering into the proposed Related Party Transaction.

Any other factor which the Board deems relevant.

C. Shareholders:

- a. Companies Act, 2013 and Rules thereof:

In case of the following type of Related Party Transactions, which are not in the ordinary course of business and not on an arm's length basis and which also exceed threshold limits as given hereunder, such Related Party Transactions will require the approval of shareholders by a resolution.

Sr. No.	Category of Transactions	Transaction Value
i.	Sale, purchase or supply of any goods or materials directly or through appointment of agent.	10% or more of the turnover
ii.	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent.	10% or more of the net worth
iii.	Leasing of property of any kind.	10% or more of the turnover
iv.	Availing or rendering of any services directly or through appointment of agent.	10% or more of the turnover
v.	Such Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company.	At a monthly remuneration exceeding Rupees 2.5 lakhs.
vi.	Underwriting the subscription of any securities or derivatives thereof, of the Company.	1% of net worth.

The turnover or net worth of the Company referred above shall be computed on the basis of audited financial statements of the preceding financial year.

b. The Regulations:

All Material Related Party Transactions and Subsequent Material Modifications thereto, after considering the effect of such modifications, if any, will require the prior approval of shareholders through resolution.

Provided that prior approval of the shareholders of the Company shall not be required for:

- a. 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 Regulations are applicable to such listed subsidiary;
- b. a Related Party 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;

- c. a Related Party 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.

Provided further that for Related Party Transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the shareholders of the listed subsidiary shall suffice.

The omnibus approval granted by the shareholders of the Company for Material Related Party Transactions in the Annual General Meeting (AGM) of the Company shall be valid till the date of the next AGM held within the timelines prescribed under the Act or rules, notifications, or circulars issued thereunder from time to time.

Further, in case of omnibus approvals for Material Related Party Transactions, granted by the shareholders of the Company, in General Meetings other than AGM, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

IV. ‘Minimum information to be placed before the Audit Committee and Shareholders:

The ‘Minimum information to be placed before the Audit Committee and Shareholders for their review and approval of Related Party Transactions’ shall be in accordance with the Regulations and circulars issued by SEBI, from time to time, in this regard.

V. PROCEDURE

1. Every Director / KMP of the Company shall, at the beginning of the financial year, provide information about his / her (including relatives) nature of interest or concern as prescribed under the Act, to the Company. Thereafter, any changes therein need to be informed to the Company promptly.

The director / KMP concerned shall not participate in the discussion on the RPT placed before the Audit Committee / Board, nor shall he / she vote on the resolution relating to the RPT. Only those members of the Audit Committee who are independent directors shall approve Related Party Transactions.

2. No member of the Company shall vote on any type of resolution to approve any Related Party Transaction if such member is a Related Party.
3. The Company Secretary shall circulate a list of identified Related Parties to the Senior Leadership Team members by the 2nd of the month following the end of a quarter and immediately after any change in the list of Related Parties already circulated.
4. Prior to entering into any type of transaction with a Related Party, such transaction will be reported to the Company Secretary by a Senior Leadership Team member along with all relevant documents like comparable quotations, invoices or other certificates and other factors justifying the transaction.

5. The Company Secretary to analyse, in consultation with the management and with external consultants as may be appropriate, to determine whether the proposed transaction or relationship constitutes a Related Party Transaction and if the same requires any compliance under this Policy.
6. Once the transaction is identified as a Related Party Transaction, all relevant details of the transaction will be placed before the Audit Committee for its prior approval.

The Audit Committee shall review the proposed Related Party Transaction, considering such factors as it deems appropriate, including but not limited to the following:

- a) Type, material terms and 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 (financial or otherwise);
 - c) Tenure of the proposed transaction (particular tenure shall be specified);
 - d) Value of the proposed transaction;
 - e) The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for an RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - f) If 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:
 - a. Nature of indebtedness;
 - b. Cost of funds; and
 - c. 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 utilised by the ultimate beneficiary of such funds pursuant to the RPT.
 - g) Justification as to why RPT is in the interest of the Company;
 - h) A copy of the valuation or other external party report, if any, such report has been relied upon;
 - i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - j) Any other information that may be relevant.
7. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

The Audit Committee shall approve or disapprove the RPT based on its review of the aforesaid factors of the transaction and provisions of this Policy.

8. In the event an RPT has not been previously approved under this Policy, the Company Secretary has to promptly notify the Audit Committee and the Board. The matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all relevant facts and circumstances regarding the RPT and shall evaluate all options available to the Company, including ratification, revision or termination of the said RPT. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the committee under this Policy, and shall take any such action as it deems appropriate.
9. The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Act, include the information as specified in the Industry Standards, as amended from time to time, as a part of the explanatory statement.

VI. DISCLOSURE

1. All Material RPT shall be disclosed to the Stock Exchanges along with the Compliance Report on Corporate Governance on a periodic basis as required under the Regulations under Integrated Filing (financial) on half-yearly basis.
2. All other disclosures in respect of Related Party Transactions shall be complied with by the Company as may be specified under the Act, including Rules thereof and the Regulations from time to time.

VII. AMENDMENT

The Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate or in accordance with any amendment to the applicable provisions of the Act, including Rules thereof and / or the provisions of the Regulations.

**For and on behalf of the Board of Directors
of Kirloskar Industries Limited**

Atul Kirloskar
Chairman

Place: Pune
Date: 18 December 2025

Policy Revision No.	Approved by	Date of Board Meeting	Date of signing of Policy
1	Board of Directors	16 October 2014	16 October 2014
2	Board of Directors	26 October 2015	26 October 2015
3	Board of Directors	22 January 2019	22 January 2019
4	Board of Directors	17 March 2020	17 March 2020
5	Board of Directors	25 March 2022	25 March 2022
6	Board of Directors	10 February 2025	10 February 2025
7	Board of Directors	5 March 2025	5 March 2025
8	Chairman	Authority given by the Board	21 March 2025
9	Chairman	Authority given by the Board	29 August 2025
10	Chairman	Authority given by the Board	18 December 2025