



# **TCI INDUSTRIES LIMITED**

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



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And on dealing with Related Party Transactions

**1. Preamble**

With the intent of good corporate governance, the Company emphasizes to maintain an arm's length relationship in all transactions, including transactions with its Related Parties that may have potential or actual conflicts of interests with its stakeholders. Accordingly, the Board of Directors of TCI Industries Limited ('the Company'), has adopted the following policy in conjunction with regulatory provisions contained under Section 188 of the Companies Act, 2013 read with Rules made therewith, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Indian Accounting Standards (Ind AS), as amended from time to time.

**2. Objective**

In its endeavour to ensure due and proper compliance with the applicable provisions and to ensure that proper procedure is defined and followed for approval / ratification and reporting of transactions as applicable, between the Company and any of its Related Parties, this policy has been adopted by the Company's Board of Directors. The provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Policy and procedures have been designed to achieve due and timely compliance with the statutory requirements governing related party transactions by ensuring that:

- i. Related Parties are identified;
- ii. Related Party Transactions are evaluated;
- iii. Necessary approvals are obtained;
- iv. Related Party Transactions are recorded; and
- v. Proper disclosures of the Policy and the Related Party Transactions are made including disclosure of all transactions in the Annual Financial Statements.

**3. Scope of the Policy**

This Policy sets out the guidelines and procedures that apply in respect of transactions entered into by the Company with a Related Party (including materiality of Related Party Transactions and dealing with Related Party Transactions).

**4. Definitions**

Please refer to **Annexure I**. Any term not defined in the said annexure shall have the same meaning as given in the Companies Act, 2013 and rules made thereunder and / or the SEBI Listing Regulations.



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**5. The Policy**

**a. Audit Committee Approval**

Except otherwise provided hereunder, all Related Party Transactions (irrespective of being in the ordinary course of business or at arms' basis) shall require prior approval of the Audit Committee unless the approval is exempted pursuant to the provisions of applicable law.

Provided that in case of a Related Party Transaction to which Company is not a party but subsidiary of the Company is a party, prior approval of the Committee of Company shall be required if the value of transaction (whether entered into individually or taken together with previous transactions) during a financial year exceeds ten percent of the annual consolidated turnover of the Company. With effect from April 01, 2023, aforesaid limit shall be ten percent of the annual standalone turnover as per the last audited financial statements of the Subsidiary.

Any member of the Committee who has a potential interest in any Related Party Transaction will recuse him/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

**b. Board of Directors Approval**

All Related Party Transactions that are:

- not in the ordinary course of business, or
- in the ordinary course of business but not at arms' length or
- neither in the ordinary course of business nor at arms' length, Shall require the prior approval of the Board of Directors at a Meeting of the Board.

**c. Shareholders' Approval**

The transactions as mentioned in the Clause (b) above which are not in the ordinary course of business and / or arm's length basis and which exceeds the limits under **Table A**, require approval of the Board and subsequent Shareholders' approval as well.

All Material Related Party Transactions therein as provided time to time under the Act and reproduced under Table A. If the related party transaction (whether at arm's length or not) is **MATERIAL**, then it needs approval of the shareholders by way of Special Resolution.

All the persons/entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is party to the particular transaction or not.

<b>TABLE A</b>		
<b>Sl. No.</b>	<b>Particular of Transactions</b>	<b>Limits for the time being in force * [As per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014]</b>
1.	Renting / Leasing of Property	10% or more of the turnover
2.	Purchase / Sale of property	10% or more of the net worth
3	Purchase / Sale of material, goods etc.	10% or more of the turnover
4.	Availing / Rendering Services	10% or more of the turnover



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5.	Appointment of related party to an office or place of profit in the Company, its Subsidiary or Associate Company	monthly remuneration exceeding Rs. 2.5 lakhs
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of Net Worth

*\*shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 by the Central Government*

*Note: Annual Turnover and Net Worth referred above is computed as per audited Financial Statement for the preceding financial year.*

#### **d. Related Party Transactions Not Approved Under This Policy**

- i. If prior approval of the Committee / Board for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Committee and the Board as the case may be, if required, within 3 months of entering in the Related Party Transaction. The Committee/Board shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company/its subsidiary(ies), including ratification, revision or termination of the Related Party Transaction. The Committee/Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee/Board under this Policy and shall take any such action it deems appropriate.
- ii. In any case, where either the Committee or Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Committee / Board has authority to modify or waive any procedural requirements of this Policy, subject to the applicable laws.
- iii. In cases where a transaction is not ratified by the Committee or Board at a meeting within 03 months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Committee or Board and if the contract or arrangement is with a Party Related to any Director/KMP, or is authorised by any other Director/KMP, the Director/KMP concerned shall indemnify the Company/its subsidiary(ies) against any loss incurred by it.

Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

#### **e. Transactions Which Do Not Require Approval**

Notwithstanding the abovementioned, the following Related Party Transactions shall not entail any approval:

- i. Transactions 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.



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- ii. Transactions entered into between two wholly-owned subsidiaries of Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- iii. Resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchange within one day of the resolution plan being approved.
- iv. Corporate actions/benefits which are uniformly applicable/offered to all shareholders in proportion to their shareholding such as:
  - a) payment of dividend;
  - b) subdivision or consolidation of securities;
  - c) issuance of securities by way of a rights issue or a bonus issue; and
  - d) buy-back of securities.
- v. Facilities available or transaction entered into by the Company/its subsidiary(ies) with all employees in general.
- vi. Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder.

**6. Procedure**

**a. Ascertaining Related party**

- i. Every director/KMP shall at the first meeting of the Board in which he participates as a director/KMP and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding in Form MBP-1.

Further, it shall be the duty of members of the Board/KMP to disclose to the Committee/Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Company/its subsidiary(ies).

- ii. Company Secretary based on declaration in MBP-1 and other available information shall identify all related parties. Company Secretary shall at all times maintain a database of Company's Related Parties in a Register & it shall be updated whenever necessary and shall be reviewed in each quarter.

**b. Review and Approval of Related Party Transactions**

- i. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -
  - Name of party and details explaining nature of relationship;
  - Name of the director or KMP, who is related, if any;
  - Nature of transaction and material terms thereof including the value, if any;
  - Business rationale for entering into such transaction;
  - Nature, material terms, monetary value and particulars of contract or arrangement;
  - Fair and on arm's length basis



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- Whether the Related Party Transaction would affect the independence of an independent Director and
  - Any other information relevant or important for the Committee to take a decision on the proposed resolution.
- ii. All related party transactions should be pre-approved by the Audit Committee before entering into such transaction. However Audit Committee may grant **Omnibus Approval** for Related Party Transactions proposed to be entered into by the company after satisfying itself the need of such omnibus approval and best interest of the company.
  - iii. Omnibus approvals shall be reviewed once in a quarter and shall be valid for period not exceeding one year and require fresh approval thereafter.
  - iv. If the committee determines that the related party transaction is (i) a Material related party transaction OR (ii) If covered under Table A, not in the ordinary course of business and/or arm's length price, the committee shall place the matter along with recommendations before the board for obtaining its approval.
  - v. The Committee shall review status of long-term or recurring Related Party Transaction on an annual basis.

**C. Reporting & Disclosures**

- i. All contracts or arrangements which require Board approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- ii. A summarized statement of all transactions with related party executed during the quarter pursuant to any contract or arrangement approved by the Committee or the Board or the shareholders, as applicable, shall be submitted to the Board as well as the Committee at regular quarterly meetings for information, review and noting.
- iii. The Company shall comply with all the reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws including the Act and SEBI Listing Regulations.

**7. Amendment**

Though, the Audit Committee or Board shall have all the right to amend this Policy, however, this Policy may stand amended because of any regulatory amendments, clarifications etc. in the applicable laws. The amendment shall be deemed to be effective from the date on which such regulatory amendments, clarifications etc. comes into force.

The adequacy of this Policy shall be reviewed and reassessed by the Committee once in every three years and appropriate recommendations shall be made to the Board to update the Policy accordingly.



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**Annexure I**

**Definitions**

1. **"Act"** means the Companies Act, 2013 and the rules and regulations notified thereunder as amended from time to time.
2. **"Applicable Law"** means the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any modifications/ re-enactments thereof) and includes any other statute, law, standards, circulars, notifications, regulations or other governmental instruction relating to Related Party Transactions.
3. **"Arm's Length Transaction"** means a transaction among two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
4. **"Associate Company"** means an entity as defined under section 2(6) of the Act read with IND AS and Regulation 2(1)(b) of SEBI Listing Regulations.
5. **"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement & Companies Act, 2013.
6. **"Board"** means Board of Directors of the Company.
7. **"Key Managerial Personnel"** means:
  - a. The Chief Executive Officer or the managing director or the manager;
  - b. The Company Secretary;
  - c. The Whole-Time Director;
  - d. The Chief Financial Officer; and
  - e. Such other officer as may be prescribed under the applicable statutory provisions/ regulations.
8. **"Material Related Party Transaction"** means transactions as defined under **Table A** herein above this Policy.
9. **"Omnibus Approval"** means a consolidated/standing approval given by the Committee in respect of transaction(s) which are repetitive in nature.
10. **"Ordinary Course of Business"** may include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company.
11. **"Policy"** means Related Party Transaction Policy.
12. **"Relative"** means relative as defined under the Act and SEBI Listing Regulations.
13. **"Related Party"** means Related Party as defined under:
  - a. Section 2(76) of the Act read with Rules made thereunder;
  - b. Reg. 2(zb) of SEBI Listing Regulations read with proviso provided thereunder;



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- c. Such other person as may be notified from time to time under the Act or SEBI Listing Regulations or Accounting Standard.

14. **“Related Party Transaction”** means:

- a) Transaction(s) covered under Reg. 2(zc) of SEBI Listing Regulations involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes a single transaction or a group of transactions in a contract.
- b) Transaction(s) covered under Section 188 of the Act and Rules framed thereunder
- c) Such other transaction as may be notified from time to time under the Act or SEBI Listing Regulations or Accounting Standard, to the extent applicable to the Company.

15. **“SEBI Listing Regulations”** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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