

JAI BALAJI INDUSTRIES LIMITED

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

1. Introduction and Background

The Policy on Materiality of Related Party Transactions has been formulated in accordance with the relevant provisions of the Companies Act, 2013 and rules made therein, Clause 49 of the Equity Listing Agreement with the Stock Exchanges and other applicable laws and regulations and various amendments made therein from time to time.

The Policy provides a framework to regulate transactions between Jai Balaji Industries Limited ‘the Company’ and its related parties keeping in mind the interests of both the Company and its stakeholders and at the same time ensuring high standards of corporate governance as well as ensuring optimum compliance with the applicable laws, rules and regulations as prescribed for such related party transactions.

2. Definitions

“**Related Party**” means a related party as defined under section 2(76) of the Companies Act, 2013, wherein related party with reference to a Company means:

- i. a Director or his relative;
- ii. a Key Managerial Personnel (KMP) or his relative;
- iii. a Firm, in which a director, manager or his relative is a partner;
- 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 2% (two per cent) of its paid-up share capital;
- vi. any body 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 under whose advice, directions or instructions a director or manager is accustomed to act;
- viii. a holding, subsidiary, an associate company of the Company;
- ix. a subsidiary of a holding company to which the Company is also a subsidiary;
- x. Director (other than Independent Director) or KMP of the holding company or his relative;

JAI BALAJI INDUSTRIES LIMITED

Provided that nothing in sub-clauses vi and vii shall apply to the advice, directions or instructions given in a professional capacity;

Further, entity shall be considered as related to the Company if:

- (a) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (b) such entity is a related party under the applicable Accounting Standards.

“Relative” means relative as defined under the Companies Act, 2013 and rules made therein and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family (HUF);
- ii. They are husband and wife;
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

“Associate Company” means a Company which has significant influence but which is not a subsidiary of the Company having such influence and includes a joint venture company.

“Significant Influence” means control of at least 20% of the total share capital or of business decisions under an agreement.

“Joint Venture” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“Control” shall have the same meaning as defined under SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 2011.

“Related Party Transaction” (“RPT”) means any transfer of resources, services or obligations between the Company and a related party, regardless of whether or not a price is charged and includes either single or a group of transactions in a contract.

“Material Related Party Transaction” means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous

JAI BALAJI INDUSTRIES LIMITED

transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such other threshold as may be laid down from time to time by Applicable Laws.

“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. (Excerpt Section 188 of the Companies Act, 2013)

“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;

To understand the expression “ordinary course of business” and any other term which is not defined under the statute, amongst other relevant considerations, due regard shall be provided to the parameters as may be stipulated by the Audit Committee of the Company for this purpose.

“Specific Related Party Transaction” shall mean any of the following transactions entered into by the Company with any of its Related Parties which are, either not in the ordinary course of business or not on arm’s length basis:

- a. sale, purchases or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchases or sale of goods, materials, services or property;
- f. such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g. underwriting the subscription of any securities or derivatives thereof, of the company.

3. Policy Framework

The framework for this policy shall be as follows:

- i) Audit Committee Approval - All RPTs must be reported to the Audit Committee and referred for prior approval by the Committee in accordance with this Policy.
- ii) Board’s Approval – Board’s approval shall be required for RPTs referred by the Audit Committee for consideration and approval and for specific Transactions to be mandatorily approved by the Board.

JAI BALAJI INDUSTRIES LIMITED

iii) Shareholders' Approval - Shareholders approval through Special Resolution shall be required for all material related party transactions, transactions as may be referred to by the Board which are not in ordinary course of business and not on arms length basis and for the transactions exceeding the specified threshold limits as mentioned in the Act and rules made therein.

4. Identification of Related Parties

The Audit Committee of the Company shall be responsible to identify whether a transaction entered into by a Company is a RPT based on the applicable laws, rules, regulations and guidelines.

5. Review and Approval of RPTs

I. Audit Committee Approval

All RPTs will be referred to the Audit Committee for review and prior approval, wherever applicable.

The Audit Committee may grant omnibus Approval for RPTs proposed to be entered into by the Company subject to the following conditions:

- i. Such transactions are repetitive in nature;
- ii. It shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- iii. Such omnibus approval shall specify – The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction 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.

Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 (One) crore per transaction.

- iv. It shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of 1 (one) year.

In order to review a RPT, the Audit Committee will be furnished with all relevant material information of the RPT as may be considered necessary and incidental thereto.

JAI BALAJI INDUSTRIES LIMITED

II. Board Approval

If the Audit Committee determines that a RPT should be brought before the Board, or in case of transactions which are not in ordinary course of business and not on arms length basis, or in the case of Specific RPTs, then 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.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

III. Shareholder's Approval

All Material RPTs under the Listing Agreement shall require the approval of Shareholders through special resolutions and all entities falling under the definition of "related parties" shall abstain from voting on such resolutions pursuant to Listing Agreement with Stock Exchanges. However, Agreement for transactions not covered under Listing Agreement but covered under Section 188 of the Companies Act, 2013 ("the Act") read together with the rules thereto or any amendments thereof would require prior approval of the Shareholders through special resolutions for the transactions exceeding the specified threshold limits as mentioned in the Act and rules made therein and such member as may be a related party in the context of the contract or arrangement for which the said special resolution is being passed shall not vote on such resolution.

In case of a wholly owned subsidiary, for the RPTs specified in Section 188 of Act and rules made therein, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the RPTs between wholly owned subsidiary and the holding company.

The following Transactions shall not require prior approval of the Audit Committee or Board or Shareholders:

- i. Any transaction arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Companies Act, 1956/Companies Act, 2013;
- ii. transactions entered into between two government companies;
- iii. 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.

6. Requirement of fresh approvals for past contracts, if any

Contracts entered into by the Company, after making necessary compliances under the Companies Act, 1956, which already came into effect before the commencement of the Companies Act, 2013, i.e. 1st April 2014, will not require fresh approval till the expiry of the original term of such contracts.

JAI BALAJI INDUSTRIES LIMITED

7. RPTs not approved as per this Policy

In the event the Company becomes aware of a RPT with a Related Party that has not been approved as per this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the 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 it deems appropriate.

Where the Audit Committee determines not to ratify a RPT that has commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. The Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. Disclosures/Amendment

Relevant Disclosure required to be made under the provisions of the Companies Act, 2013 and rules made therein, the Listing Agreement to various regulators shall be made by the Company from time to time.

The rights to interpret/amend/modify this Policy vests in the Audit Committee/ Board of Directors of the Company.