

AMENDED POLICY ON RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Board of Directors of Kirloskar Oil Engines Limited (KOEL/Company) (hereinafter referred to as 'the Board') has adopted this Policy on Related Party Transactions as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment thereunder (Listing Regulations).

On 12 December 2024, SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) 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 2 & 23 of the Listing Regulations that deals with the related party transactions.

In view of the aforesaid, this Policy has been amended by the Board of Directors of the Company in accordance with the provisions of the Amendment Regulations, 2024.

This amended Policy will be applicable to the Company with effect from 11th February 2025.

The policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with applicable the Law and Regulation.

II. DEFINITIONS

1. **"Related Party"** shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time
2. **"Relative"** shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.
3. **"Related Party Transaction"** shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.

Exemption:

- I. A related party transaction(s) entered into between KOEL and its wholly owned subsidiary whose accounts are consolidated with KOEL and placed before the shareholders at the general meeting for approval.
- II. A related party transaction(s) entered into between two wholly-owned subsidiaries of KOEL, whose accounts are consolidated with KOEL and placed before the shareholders at the general meeting for approval.
- III. A related party transaction(s) to which the subsidiary of KOEL is a party but KOEL is not a party, and the value of such transaction whether entered into individually or taken

together with previous transactions during a financial year, does not exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary of KOEL.

- IV. Remuneration and sitting fees paid by KOEL 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 related party transaction as defined in this policy.
- V. Retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.
- VI. The issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI ICDR.
- VII. 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
 - iv. buy-back of securities.

The Audit Committee may consider related party transactions, if any, falling under applicable Accounting Standards.

- 4. **“Material Related Party Transactions”** as defined under Listing Regulations, means any transaction / transactions to be entered into with the related party, individually or taken together with previous transactions during Financial Year exceeds rupees one thousand crore or 10 % of the annual consolidated turnover of the Company as per the last audited financial statements of the Company whichever is lower. 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 of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.
- 5. **“Arm’s length transaction”** as defined under Section 188 (1) of the Companies Act, 2013, shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- 6. **“Subsequent Material Modifications to approved Related Party Transaction”** means (+)/(-) 20% impact on the consideration due to any change/variation in the terms as compared to earlier approved related party transaction(s).
- 7. **“Subsidiary Company”** means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013 excluding the listed subsidiary, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

With the consent of the Chairman of the Company any further amendment to definitions as per provisions of the Companies Act, 2013 and SEBI Listing Regulations, to be modified.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Listing Regulations, Securities Contract Regulation Act or any other law or regulation as applicable to the Company.

III. PROCEDURE

1. Disclosure by Directors / Key Managerial Personnel (KMP)

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 Companies Act, 2013, to the Company. Thereafter, any changes therein need to be informed to the Company promptly.

2. Identification of transactions with Related Parties

The Company Secretary / Chief Financial Officer will circulate list of identified Related Parties to the concerned employees which may include Head of Business Units, Head of Functional Departments etc. The concerned employees shall submit details of proposed transaction(s) to the Company Secretary / Chief Financial Officer.

The Company Secretary will place the details of proposed transaction before the Audit Committee.

3. Information to be placed before the Audit Committee and Board of Directors

- a) the name of the related party and nature of relationship;
- b) the nature, duration and particulars of the transaction or contract or arrangement;
- c) the material terms of the transaction or contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms;
- f) whether all factors relevant to the transaction have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- g) evaluation certificate on ascertainment of Arm's length basis from outside consultant if any
- h) any other information as may be prescribed by SEBI or other authorities from time to time and
- i) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4. Review and approval of Related Party Transactions

A. Audit Committee

Prior approval of Audit Committee is required for all Related Party Transactions including any modifications thereof. The Audit Committee shall consider following factors while deliberating Related Party Transactions for its approval:

- a) Whether proposed Related Party Transaction is in ordinary course of business;
- b) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- c) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d) The materiality of the Related Party Transaction;
- e) any other factor which Audit Committee deems relevant

Based on the above factors, the Audit Committee will approve or disapprove the Related Party Transaction and thereafter will inform its decision to the Board of Directors.

However, the Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company or its subsidiaries. While granting the omnibus approval, the Audit Committee shall consider the following:

- 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:

In cases where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to the limits specified and conditions to be complied as prescribed by the Listing Regulations and Company Act, 2013 & rules thereunder, including amendments thereof.

The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity or its subsidiary pursuant to each of the omnibus approvals given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Exemption: Prior approval of the Audit Committee is not required in following cases:

- I. A related party transaction(s) entered into between a holding company/KOEL and its wholly owned subsidiary whose accounts are consolidated with KOEL and placed before the shareholders at the general meeting for approval.

- II. A related party transaction(s) entered into between two wholly-owned subsidiaries of KOEL, whose accounts are consolidated with KOEL and placed before the shareholders at the general meeting for approval.
- III. A related party transaction(s) to which the subsidiary of KOEL is a party but KOEL is not a party, and the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, does not exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary of KOEL.
- IV. Subsequent modification to transaction with related parties which are only covered under listing regulations which is not a material modification.
- V. A related party transaction to which the listed subsidiary is a party but KOEL is not a party, if Regulation 23 and Sub-Regulation (2) of Regulation 15 of the Regulations are applicable to such listed subsidiary.
- VI. Remuneration and sitting fees paid by KOEL 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 related party transaction as defined in this policy.
- VII. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

Prior approval of the Audit Committee will be required in case of any related party transactions including any subsequent material modifications which exceeds limits specified in Sr. No. III above.

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, is 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 of the Listing Regulation;
- (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 of the Listing Regulation;
- (v) any other condition as specified in 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 listed entity against any loss incurred by it.

B. Board of Directors

- I. If the Audit Committee determines, the proposed Related Party Transaction is in ordinary course of business and on Arm's length basis, the Board shall consider 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 Board deems relevant

Based on the above factors, Board will approve or disapprove the Related Party Transaction.

- II. If the Audit Committee determines, the proposed Related Party Transaction is not in ordinary course of business and / or not on Arm's length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:

- a) Whether proposed Related Party Transaction is within threshold as specified under Point no. III (4) (c) of this Policy.
- b) Justification for entering into proposed Related Party Transaction
- c) any other factor which Board deems relevant

Based on the above factors, the Board will approve or disapprove the Related Party Transaction.

C. Shareholders

a) Companies Act, 2013 and rules thereof:

In case of following type of Related Party Transactions which are not in ordinary course of business and not on Arm's length basis and which also exceeds threshold as given under will require the approval of shareholders by a special resolution:

Sr. No.	Category of Transaction	Threshold
1	Sale, purchase or supply of any goods or materials	10% of turnover
2	Selling or otherwise disposing of, or buying, property of any kind	10% of net worth
3	Leasing of property of any kind	10% of turnover
4	Availing or rendering of any services	10% of turnover
5	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 Rs 2.5 lakh
6	Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth

(The Turnover or Net Worth referred above shall be computed on the basis of Audited Financial Statements of the preceding Financial Year)

b) Listing Regulations:

All Material Related Party Transactions and Subsequent Material Modifications will require the approval of shareholders as specified in the Listing Regulation.

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 a holding 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.

a. Related Party Transactions which are not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

b. Related Party Transactions of ongoing nature

If Related Party Transaction is of an ongoing nature, the Audit Committee and/or the Board of Directors shall periodically review and assess the ongoing relationship with Related Party and terms of transactions to see that they are in compliance with this Policy. Any amendment, renewal or extension of transaction or arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

c. Interested Director / KMP / Shareholder not to participate

- a. The Interested Director / KMP shall disclose the nature of his concern or interest at the meeting of the Board in which the Related Party Transaction is discussed and shall not participate in such meeting.
- b. No member of the Company shall vote on the any type of resolution, to approve any Related Party Transaction which may be entered into by the Company, if such member is a Related Party.
- c. Non-Independent Director of the Audit Committee shall not vote on the resolution, to approve any Related Party Transaction which may be entered into by the Company.

IV. DISCLOSURE

- a. Every Related Party Transaction entered into which is not in the ordinary course of business and/ or not on an arm's length basis, shall be disclosed in the Board's Report along with the justification for entering into such transaction.
- b. All other disclosures in respect of Related Party Transactions to be complied as may be specified under Companies Act, 2013, including rules thereof and Listing Regulations from time to time.

V. CONSEQUENCES OF CONTRAVENTION

Any director or any other employee of a Company, who had entered into or authorized the Related Party Transaction, in violation of the provisions of this Policy, shall be liable to punishments as prescribed under provisions of Companies Act, 2013, including rules thereof and under the provisions of Listing Regulations, including any amendment thereto.

VI. 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 Companies Act, 2013, including rules thereof and / or the provisions of the Listing Regulations.

This amended Policy will be effective from 11th February 2025 unless any other date notified by SEBI or other authority.

For and on behalf of Board of Directors
of Kirloskar Oil Engines Limited

Sd/-
Gauri Kirloskar
Managing Director

Place: Pune
Date: 11th February 2025

Policy Revision No.	Approved by	Date of Board Meeting	Date of Signing of Policy
1	Board of Directors	17 th October 2014	17 th October 2014
2	Board of Directors	28 th October 2015	28 th November 2015
3	Board of Directors	25 th January 2019	25 th January 2019
4	Board of Directors	31 st January 2020	31 st January 2020
5	Board of Directors	5 th March 2021	5 th March 2021
6	Board of Directors	9 th March 2022	9 th March 2022
7	Board of Directors	11 th February 2025	11 th February 2025