

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, Listing Regulations 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

“**Act**” means the Companies Act, 2013.

“**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.

“**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.

“**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**” means a related party as defined under the Companies Act, 2013 or under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

“**Relative**” means relative as defined under section 2(76) of the Companies Act, 2013.

“**Related Party Transaction**” shall mean such transactions as specified under Section 188 of the Companies Act, 2013 or Rules made there under and Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment or modification thereof, as may be applicable.

JAI BALAJI INDUSTRIES LIMITED

“Material Modifications” means any modifications to the existing related party transactions which were approved by the Audit Committee or Shareholders during the year which will change the complete nature of the transaction and in case of monetary thresholds which is in excess of 10% of the originally approved transaction, in case of exigencies only.

“Material Related Party Transaction” means a transaction with a related party if the if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. Further, 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 Company as per the last audited financial statements of the Company.

Provided that in case of any amendment to the Act or Listing Regulations, definition of Material Related Party Transactions will be deemed to be changed without any further approval of Audit Committee or Board.

Any reference made hereunder with respect to Material Related Party transaction shall include all subsequent material modifications.

3. Materiality Threshold Limits

Regulation 23 of Listing Regulations requires a company to provide thresholds limits for related party transactions.

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. Further, 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 Company as per the last audited financial statements of the Company..

In case of any change in the materiality thresholds by way of amendment in the Listing Regulations the revised thresholds will be applicable automatically.

4. Policy Framework

The framework for this policy shall be as follows:

i) Prior Approval 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.

JAI BALAJI INDUSTRIES LIMITED

ii) Board's Approval – All transactions specified under Section 188 of the Companies Act, 2013 and which are not in the ordinary course of business or not at an arm's length basis, will be placed before the Board for its approval.

iii) Shareholders' Approval - Prior approval of shareholders 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.

5. 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.

6. Review and Approval of RPTs

I. Prior Audit Committee Approval

- (a) all related party transactions and subsequent material modifications shall require prior approval of the audit committee of the Company;
- (b) only those members of the audit committee, who are independent directors, shall approve related party transactions.
- (c) a related party transaction to which the subsidiary of a 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- (d) a related party transaction to which the subsidiary of a 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (e) 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 provisions of regulation 23 and sub-regulation (2) of regulation 15 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are applicable to such listed subsidiary.
- (f) for related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.

JAI BALAJI INDUSTRIES LIMITED

(g) Omnibus approval

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely-

- (i) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (ii) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- (iii) the omnibus approval shall specify:
 - (1) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (2) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - (3) such other conditions as the audit committee may deem fit:

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 their value not exceeding rupees one crore per transaction.

- (iv) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- (v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

II. Board Approval

All transactions specified under Section 188 of the Companies Act, 2013 and which are not in the ordinary course of business or not at an arm's length basis, will be placed before the Board for its approval.

III. Shareholder's Approval

- (a) All material related party transactions and subsequent material modifications shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not;
- (b) Prior approval of the shareholders of a 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

JAI BALAJI INDUSTRIES LIMITED

regulation 23 and sub-regulation (2) of regulation 15 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are applicable to such listed subsidiary.

- (c) For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.
- (d) Prior approval of shareholders shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Information to be provided to shareholders for consideration of RPTs:

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the audit committee;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details as specified in the Audit committee;
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered e-mail address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be required.

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

- (1) 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.
- (2) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

7. Existing Related Party Transactions:

The provisions of this regulation shall be applicable to all prospective transactions.

This policy shall operate prospectively and all the agreements which have been entered before the effective date of this policy and are in accordance with the prevailing laws shall be valid and effective. However, any agreement for material transactions which has been already approved and continued to be operational beyond March 2015, procedure as mentioned above has to be followed.

JAI BALAJI INDUSTRIES LIMITED

8. 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.

9. Disclosures

i. The Company shall disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not on an arm's length basis along with the justification for entering into such transaction.

ii. In addition to the above, the Company shall also provide details of all Related Party Transactions meeting the Materiality threshold, on a quarterly basis along with the compliance report on Corporate Governance to the stock exchanges.

iii. The Company shall on half yearly basis submit to Stock exchanges disclosures of Related Party Transactions, within the time and format as may be specified by SEBI from time to time and publish the same on its website.

iv. The Company shall disclose in the Corporate Governance report, transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results.

v. The Company shall disclose in the Corporate Governance report 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount' by the Company and its Subsidiaries.

vi. Any other disclosures as may be required from time to time.

10. Applicability/ Amendments

Any Changes to the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee or the Board or Chief Financial Officer of the Company subject to approval of Audit Committee. The Audit Committee/ Board will give suitable directions/ guidelines to implement the same. The Policy shall be reviewed by the Audit Committee and the Board every three years.

In the event, any provisions contained in this Policy is inconsistent with the provisions contained in the Listing Regulations, the Companies Act, 2013 or Accounting Standards, etc. or any amendments thereto, (Regulatory Acts), the provisions contained in the Regulatory Acts will prevail.

Last amendment Date: 11th March, 2024