

KAJARIA CERAMICS LIMITED

RELATED PARTY TRANSACTION POLICY

1. PURPOSE

This policy was originally formulated pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and revised in accordance with the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations') read with SEBI's Notification dated May 9, 2018 & Sections 177 and 188 of the Companies Act, 2013 read with Rules made thereunder (the 'Act') [including amendments/modifications thereof].

This policy aims to determine the materiality of Related Party Transactions ('RPTs') and to deal with RPTs of Kajaria Ceramics Limited (the 'Company') pursuant to the applicable provisions of the Listing Regulations and the Act.

2. DEFINITIONS

'The Audit Committee or Committee' means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Act.

'The Board' means Board of Directors of the Company.

'Control' shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

'Key Managerial Personnel' means key managerial personnel as defined under the Act and includes the following:

- Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole- time Director;
- Company Secretary;
- Chief Financial Officer; and
- Such other officer(s), as may be prescribed.

'Material Related Party Transaction' means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

'Policy' means Policy on materiality of Related Party Transactions and dealing with Related Party Transactions or Related Party Transaction Policy.

'Related Party' means a related party as defined in the Act and Regulation 23 read with Regulation 2(1)(zb) of the Listing Regulations as amended from time to time.

'Related Party Transaction' means a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

'Relative' means relative as defined in the Act, as amended from time to time.

3. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed transaction.

4. APPROVALS AND REVIEW

a) All RPTs including any modification / renewal thereof shall require prior approval of the Audit Committee.

b) The maximum value of any transaction (individually or taken together with previous transactions) with Related Party will not exceed 10% of annual consolidated turnover during a financial year, unless the shareholders' approval. The said limit will be reviewed by the Board of Directors of the Company, once in every three years period. The provision of Clause 4(b) will be effective from April 1, 2019.

c) The Committee may grant omnibus approval for RPTs proposed to be entered into by the Company, subject to approval of the Board and the following conditions:

(i) The proposed RPTs are repetitive in nature and the Committee is satisfied that such omnibus approval is in the interest of the Company;

(ii) The Committee shall lay down the criteria for granting omnibus approval for RPTs which shall, *inter alia*, include the following:

a. Name of Related Party, nature of transaction, maximum value of the transactions which can be allowed under the omnibus route and maximum value per transaction, in a financial year;

b. Quarterly review of RPTs entered into by the Company pursuant to the omnibus approval;

c. Period of validity of omnibus approval which shall not exceed one financial year and shall require fresh approvals after expiry of the one year.

Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

d) Every Material related Party Transaction shall require approval of the shareholders by way of ordinary resolution. The Related Parties shall not vote to

approve such resolution, irrespective of whether they are party to the particular transaction or not.

- e) All RPTs prescribed under Section 188 of the Act which are either not in the ordinary course of business or are not at arm's length basis, shall require prior approval of :
- (i) Board; and
 - (ii) Shareholders, if amount of such transactions exceeds the limits prescribed in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014. The concerned Related Party shall not vote to approve the resolution.
- f) All RPTs including RPTs approved through omnibus approval, shall be reviewed post facto by the Committee on a quarterly basis.
- g) To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

In determining whether to approve a Related Party Transaction, the Committee will also consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arms' length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

- h) If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, 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.

The following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business; and
- Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro-rata as the Related Party.

5. TRANSACTIONS WITH WHOLLY-OWNED SUBSIDIARIES

Provisions of Para 4 (c and d) of this Policy shall not be applicable to any transaction with a wholly-owned subsidiary whose accounts are consolidated with the accounts of the Company and placed before the shareholders at the general meeting for approval.

6. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

7. DISCLOSURES

- Particulars of RPTs shall be disclosed in such manner as may be prescribed under the Listing Regulations and/or the Act (including rules made thereunder), from time to time.
- This Policy shall be disclosed on the Company's website www.kajariaceramics.com and a web link thereto shall be provided in the Annual Report of the Company.

8. EFFECTIVE DATE

This Policy shall be effective w.e.f. April 1, 2019.

9. REVIEW / AMENDMENT

The Board of Directors of the Company may, on recommendation of the Audit Committee of the Company, amend, abrogate, modify or revise any or all provisions of this Policy. However, amendments in the Listing Regulations/other applicable laws shall be binding even if not incorporated in this Policy.

This revised Policy has been approved by the Board of Directors of the Company at its meeting held on October 25, 2018, on recommendation of the Audit Committee of the Company.