

## **POLICY ON RELATED PARTY TRANSACTION**

### **1. Preamble**

Kennametal India Limited (the “Company” or “KIL”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests. Therefore, this policy regarding the review and approval of Related Party Transactions has been adopted by the Company’s Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The Audit Committee will review and may amend this policy from time to time. This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

### **2. Purpose**

This policy is framed as per requirement of the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time) and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

### **3. Definitions**

“**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time) and Companies Act, 2013.

“**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 Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“Material Related Party Transaction”** means a transaction with a related party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Ordinary course of business”** shall mean and include-

- Transactions that are entered in the normal and usual course of business and are identical to the business of the company.
- Transactions that is reasonable in the context of the business of the company.
- Transactions that are part of the standard industry practice.
- Meets any other parameters /criteria as decided by the Board/Audit Committee.

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** as per the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time) which is as follows:

“ Related party means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).”

Section 2(76) “related party”, with reference to a company, means—

- i. a director or his relative;
- ii. a key managerial personnel 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 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 on whose advice, directions or instructions a director or manager is accustomed to act:

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

- viii. any company which is—
  - a holding, subsidiary or an associate company of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary;
- ix. such other person as may be prescribed;

**“Related Party Transaction”**

As per the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time) means a transfer of resources, services or obligations between a listed entity 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:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s);.

As per Section 188 of the Act, shall means contracts or arrangements with related party with respect to:-

- (a) Sale, purchase 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 purchase 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.

“Collectively the Related Party Transaction shall constitute the above.”

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

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- 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)

“**Transaction**” shall be construed to include single transaction or a group of transactions in a contract.

#### **4. Policy**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

#### **5.1 Identification of Related Party**

Each director and Key Managerial Personal is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

#### **5.2 Identification of Related Party Transactions**

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and as per the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time). The Company has also formulated guidelines for determining whether the transaction is in the Ordinary Course of Business and at arm’s length basis and for this purpose, the Company may seek external professional opinion, if required.

#### **5.3 Prohibitions related to Related Party Transactions**

All Related Party Transactions shall require prior approval of Audit Committee.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

#### **6. Review and Approval of Related Party Transactions**

All related party transactions must be reported to the Audit Committee for its prior approval in accordance with this policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

## **6.1 Approval of Audit Committee**

- ❖ All Related Party Transactions shall require prior approval of the Audit Committee either at a meeting or by resolutions by circulations. Any member of the committee who has potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction.
- ❖ Audit Committee shall have all rights to call for information/documents in order to understand the scope of the proposed related party transactions.
- ❖ The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:
  - a) The Audit Committee shall lay down the criteria for granting 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;
  - b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
  - c) Such omnibus approval shall specify the following: (i) Name(s) of the Related Party (ii) Nature of the transaction (iii) Period of transaction (iv) Maximum amount of transaction that can be entered into (v) The indicative base price/current contracted price and the formula for variation in the price, if any, and (vi) Such other conditions as the Audit Committee may deem fit.
  - d) In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;
  - e) 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 approval given;
  - f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

## **6.2 Approval of Board of Directors**

- ❖ If the Audit 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 the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and 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.

- ❖ All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board shall consider and approve the related party transaction at a meeting.
- ❖ Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.
- ❖ If a Related Party Transaction will be ongoing, the Board of Directors may, in its discretion, establish guidelines for KIL's management to follow in its ongoing dealings with the Related Party. Thereafter, the Board of Directors shall periodically review and assess ongoing relationships with the Related Party to see that they are in compliance with the Board of Directors' guidelines.

### **6.3 Approval of Shareholders**

- ❖ All the Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution. The related parties referred here (as covered under the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time) shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- ❖ All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length shall, subject to the limits mentioned in Rules 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

### **7. Pre-Approved Transactions**

The following types of transactions will be deemed to be pre-approved by the Board of Directors ("Pre-Approved Transactions"), will not be reviewed by the Board of Directors and do not require approval or ratification:

- (i) Transactions in the ordinary course of business that do not exceed 10% of total Turnover of the previous financial year, in any fiscal year;

- (ii) Senior Management employees' and directors compensation arrangements approved by the Nomination and Remuneration Committee of the Board of Directors;
- (iii) Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as director of another corporation or organization that is a party to the transaction;
- (iv) Transactions in which the Related Party's interest is derived solely from his or her direct or indirect ownership of an entity (other than a general partnership) that is a party to the transaction when such ownership interest is less than ten percent (10%) of the equity interest of such entity; and
- (v) Transactions available to all employees generally.

### **8. Related Party Transactions 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.

### **9. Disclosure**

The Company shall maintain Register pertaining to Related Party Transactions in the prescribed form. The related party transaction entered into with the related party/ies shall be disclosed in the Director Report / Annual Report as per the disclosure requirement of the Act and the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time). The Company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report. Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance., as required under the SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) Regulations, 2015 (as amended from time to time).

**10. Amendments to the Policy:**

10.1 The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

10.2 In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.