

# ELEGANT MARBLES & GRANI INDUSTRIES LTD.

Manufacturers / Importers / Exporters of Mirror Polished Italian Marbles & Granites

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

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| Policy approved by   | Board of Directors of Elegant Marbles And Grani Industries Limited |
| Date(s) of Modification(s) prior to the Current Modification | September 12, 2017   |
| Date of Approval of Current Modifications                    | February 12, 2022  |
| Modifications effective from                                 | April 01, 2022   |

### I. PREAMBLE

**ELEGANT MARBLES AND GRANI INDUSTRIES LIMITED** (“the Company”) has always been committed to good corporate governance practices. As a matter of practice, the Company follows an arm’s length basis in transacting business with its related parties which are in its ordinary course of business.

The Board of Directors has adopted this policy on the recommendations of the Audit Committee. This Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions (“the Policy” or “this Policy”) is framed by the Company, pursuant to the provisions of Regulation 23 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and in terms of Section 188 and other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder (“the Companies Act”), including any modification(s) / amendment(s) / re-enactment(s) thereof.

The Board of Directors of the Company have adopted this Policy to set forth the procedures by which transactions with Related Parties shall be reviewed for approval or ratification. The Policy is intended to ensure proper approval, disclosure and reporting of transactions between the Company and its Related Parties, wherever applicable. Any Related Party Transaction may be entered into by the Company in accordance with the provisions of this Policy.

### II. DEFINITIONS

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1. “Act” means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
2. “**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.
3. “**Audit Committee**” or “**Committee**” means a Committee of the Board of Directors of the Company, constituted as per the provisions of Section 177 of the Companies Act, 2013 and as per Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
4. “**Board**” means the Board of Directors of the Company.
5. “**Company**” means ELEGANT MARBLES AND GRANI INDUSTRIES LIMITED.
6. “**Key Managerial Personnel**” means the Key Managerial Personnel of the Company in terms of Section 2(51) of the Act.
7. “**Listing Agreement**” means Equity Listing Agreement of the Company with the Stock Exchange.
8. “**Material Modification**” will mean and include any modification to an existing related party transaction having variance of 10% of the existing limit as sanctioned by the Audit Committee/Board /Shareholders as the case may be.
9. “**Material Related Party Transactions**” means any transaction to be entered into individually or taken together with previous transactions during a financial year exceed the threshold specified in the Section IV of this Policy, dealing with Determination of Materiality of Related Party Transaction.
10. “**Policy**” means the current policy on Related Party Transactions, including amendments, if any, from time to time.
11. “**Related Party**” means a related party as defined under Section 2(76) of the Act read clause (zb) of sub-regulation (1) of Regulation 2 of the Listing Regulations as amended from time to time.
12. “**Related Party Transaction**” means transaction as defined in clause (zc) of sub-regulation (1) of Regulation 2 of the Listing Regulations

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13. **“Relative”** means a relative as defined under Section 2(77) of the Act.
14. **“Transaction”** with a related party shall be construed to include single transaction or a group of transactions in a contract.
15. **“Transactions in the ordinary course of business”** mean transactions or contracts or arrangements or activities that are connected to or necessary for the business of the Company and satisfy the following principles:
- (i) permitted under the Memorandum and the Articles of Association of the Company;
  - (ii) carried on a frequent or regular basis or are usual in nature or are as per the customs or industry practice; and
  - (iii) the terms of which are similar to those which would be otherwise applicable to transactions with unrelated parties.

Any other terms and expressions used but not defined herein, shall have the same meaning as defined in the Companies Act, the Listing Regulations, and / or the rules and regulations made thereunder.

## III. REVIEW AND APPROVAL

### A. BY THE AUDIT COMMITTEE

1. All Related Party Transactions and subsequent Material Modifications shall be subject to prior approval of the Audit Committee of the Company whether at a meeting or by a resolution by circulation or by any other manner as provided by the Companies Act or the rules and regulations made thereunder.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions with effect from January 1, 2022.

2. Audit Committee of the Board shall review and, if appropriate, approve Related Party Transactions. Accordingly, at the first meeting of the Audit Committee in every financial year, management shall present to the Committee, the following information with respect to all Related Party Transactions expected to be entered into during the forthcoming financial year:

a) the name of the Related Party;

# ELEGANT MARBLES & GRANI INDUSTRIES LTD.

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- b) the Related Party's interest in the transactions, including the Related Party's position or ownership of or relationship with any entity that has an interest in the Related Party Transactions;
  - c) the estimated rupee value of the Related Party Transactions;
  - d) a general description of the transactions, including material terms and conditions;
  - e) in case of loans, the aggregate amount of loans and the rate of interest payable on such loans;
  - f) in case of guarantees issued, the aggregate amount of guarantees and commission to be payable on such guarantees;
  - g) an assessment of whether the transactions are on terms that are comparable to the terms available to unrelated third parties or to employees generally (in case of appointment to any office or place of profit in the company, as per Para IV to this Policy); and
  - h) any other material information regarding the transaction(s) or the Related Party's interest in the Related Party Transactions.
3. **OMNIBUS APPROVAL:** The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
    - i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
    - ii. The maximum value per transaction which can be allowed;
    - iii. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
    - iv. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
    - v. transactions which cannot be subject to the omnibus approval by the Audit Committee
  - b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
    - i. repetitiveness of the transactions (in past or in future);
    - ii. justification for the need of omnibus approval
  - c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
  - d. The omnibus approval shall provide details of

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- i. Type, material terms and particulars of the proposed transaction;
- ii. Name of the related party and its relationship with the listed entity, including nature of its concern or interest (financial or otherwise);
- iii. Tenure of the proposed transaction (particular tenure shall be specified);
- iv. Value of the proposed transaction;
- v. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
- vi. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity:
  - i. details of the source of funds in connection with the proposed transaction
  - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - Nature of indebtedness;
    - Cost of funds; and
    - Tenure;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- e. Justification as to why the RPT is in the interest of the listed entity;
- f. A copy of the valuation or other external party report, if any such report has been relied upon;
- g. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- h. Any other information that may be relevant

Provided that where the need for related party transactions 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 10 crore per transaction.

4. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
5. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
6. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
7. Any other conditions as the Audit Committee may deem fit
8. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the Policy.
9. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

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1. Transactions which are not at arm's length or not in the ordinary course of business
2. Transactions which are not repetitive in nature
3. Transactions exceeding materiality thresholds as laid down in this Policy
4. Transactions in respect of selling or disposing of the undertaking of the company
5. Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
6. Any other transaction, the Audit Committee may deem not fit for omnibus approval

### **B. BY MEMBERS IN GENERAL MEETING/THROUGH POSTAL BALLOT:**

- a) All the transactions with related parties exceeding the materiality thresholds, laid down in Materiality Threshold Limit as specified in the Policy, are placed before the shareholders for approval.
- b) For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. However, this condition shall not apply in respect of a resolution plan approved u/s 31 of the Insolvency and Bankruptcy Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- c) All kinds of transactions specified under Section 188 of the Act which
  - are not at Arm's Length or not in the ordinary course of business; and
  - exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.
- d) At the time of taking the approval of members, the company is required to disclose certain items in the Explanatory statement u/s 101 of the Companies Act, 2013 and shall contain all the particulars as specified in Rule 15 of the Companies (Meeting of Board and Its Powers) Rules, 2014 and details given in Para 6 of SEBI Circular No. SEBI/HO/CFD/CMDI/CIR/ P/2021/662 dated November 22, 2021, as amended from time to time.

### **IV. DETERMINATION OF MATERIALITY OF RELATED PARTY TRANSACTIONS:**

The Company has fixed its materiality threshold limit as follows:

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| Nature of Transactions   | Materiality as per Companies Act, 2013 (A)   | Materiality as per SEBI LODR (B)   | Material Modification as per SEBI   |
|--|--|--|---|
| Sale, purchase or supply of any goods or materials directly or through appointment of agents   | 10% or more of turnover  | All transactions with one party exceeding Rs. one thousand crore or 10% of the annual consolidated turnover whichever is lower | All transactions with one party having variance of 10% of the existing limit. |
| Buying, selling or disposing of property of any kind directly or through appointment of agents | 10% or more of net worth   |  |   |
| Leasing of any kind of property  | 10% or more of turnover  |  |   |
| Availing or rendering of any services directly or through                                      | 10% or more of turnover  |  |   |
| Appointment to any office or place of profit in the company                                    | At a monthly remuneration exceeding Rs.2.5 Lakh  |  |   |
| Remuneration for underwriting the subscription of any securities in                            | 1% of net worth  |  |   |
| Transaction involving payments made to a related party with respect to brand usage or royalty  |  | Transactions with one party exceeding 5% of the annual consolidated  |   |
| Any other transaction with a Related Party   | Transaction, 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 |  |   |

## V. DISCLOSURES

### 1. BY THE COMPANY:

This Policy shall be uploaded on the website of the Company and a web-link thereto shall be provided in the Annual Report of the Company.

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Disclosure will be made in the Company's Annual Report and to the Stock Exchanges as required under the Companies Act and the Listing Regulations.

## **2. BY THE DIRECTORS & KEY MANAGERIAL PERSONNEL**

Every Director shall, at the beginning of the Financial Year or whenever any change occurs, provide information by way of written notice to the Company, regarding his concern or interest in the entity with specific concern to parties which may be considered as a Related Party with respect to the Company and shall also provide the list of relatives which are regarded as a Related Party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as a Related Party according to this Policy.

Accordingly, the Company will determine whether a 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 / Board has adequate time to obtain and review information about the proposed transaction.

## **VI. POLICY REVIEW**

The adequacy of this Policy shall be reviewed and reassessed by the Committee and recommend the changes to the Board of Directors at least once in every 3 (Three) years and updated accordingly due to any regulatory amendments or otherwise and shall be binding on the concerned Directors, KMPs and Senior Management Persons in the manner described as above.

*The Policy is Reviewed and Amended by the Audit Committee and thereafter approved by the Board of Directors at their meeting held on February 12, 2022 and shall come into force w.e.f. 01.04.2022. The policy is being amended to incorporate changes brought by Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) (Sixth Amendment) Regulations, 2021*

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