

MENON PISTONS LIMITED

Governance Series

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

[Regulation 23 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and also provisions of the Companies Act, 2013]

Version Control

Version	Date of Approval
1.0	18 th January, 2019
2.0	06 th December, 2022
3.0	09 th November, 2025

The Policy has been **reviewed by the Audit Committee** of the company and **approved by the Board of Directors** of the Company.

1. Applicability:

This policy will be applicable to regulate transactions between the Company and its Related Parties based on the applicable laws, rules and regulations.

2. Objective/Purpose:

This policy is framed as per requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. This Policy shall supplement Company's other policies & practices/delegation of authorities/manual of authorities etc. which require approval of the Contracts or Arrangement in specified manner and by specified authority. If there exists more than one set of requirements due to application of multiple laws and regulations, the endeavor must be based on the compliance principle which would meet the higher governance standards.

Accordingly, the Board of Directors ("Board") of the Company have adopted this policy with regard to related party transactions. The Audit Committee of the Company will review this policy (the "Policy") on an annual basis and propose any modifications to the Board for approval.

3. Definitions:

- i. **"Act"** means the Companies Act, 2013 as amended from time to time;
- ii. **"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.
- iii. **"Associate Company"** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- iv. **"Audit Committee"** means the committee constituted by the Board of Directors of the Company, from time to time, in accordance with section 177 of the Companies Act, 2013 and Regulation 18 of the LODR Regulations.
- v. **"Board"** means the Board of Directors of Menon Pistons Limited, as constituted from time to time.
- vi. **"Company"** mean Menon Pistons Limited (MPL/Company).
- vii. **"Independent Director"** shall mean an Independent Director of the Company who satisfies the criteria of Independence under the Companies Act, 2013 and LODR Regulations, as amended from time to time.
- viii. **"Industry Standards"** shall mean the industry standards on "Minimum Information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transactions" as notified by SEBI vide its circular dated June 26, 2025, as amended from time to time.
- ix. **"Key Managerial Personnel"** in relation to a Company means Key Managerial Personnel as defined in Sub-Section 51 of section 2 of the Act, as amended from time to time.
- x. **"Material Subsidiary"** shall have the meaning as defined in Regulation 16(1)(c) of the LODR Regulations, pursuant to which a material subsidiary means a subsidiary, whose income or net worth exceeds 10% (ten percent) of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

- xi. **“Material Related Party Transactions”** as per the SEBI Listing Regulations and Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time :
- a. If the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- b. As per Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, relating to the threshold limits for determining the materiality of transaction(s).
- xii. **“Material Modifications”** shall mean any modification with respect to the following : Any modification to Any modification to an existing Related Party Transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee/ Board/ Shareholders, as the case may be.
- xiii. **“Ordinary Course of Business”** with reference to a transaction with a related party means the usual transaction which is
- (i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
- (ii) historical practice with a pattern of frequency;
- (iii) common commercial practice; or
- (iv) meets any other parameters/criteria as decided by the Board/Audit Committee, from time to time.
- xiv. **“Policy”** means this Policy Materiality of Related Party Transactions and Dealing with Related Party Transactions., as amended from time to time.
- xv. **“Related Party”** in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act or Regulation 2(1)(zb) of the SEBI Listing Regulations or under applicable accounting standards.
- xvi. **“Related Party Transactions”** in relation to the Company means a transaction with a related party as defined in 2(1)(zc) of the SEBI Listing Regulations and under the relevant provisions of the Act or any relevant Indian Accounting Standards, as amended from time to time.
- xvii. **“Relative”** means any person as per Section 2(77) of the Act and rules prescribed thereunder and as per Regulation 2(1)(zd) of the SEBI Listing Regulations as amended from time to time.
- xviii. **“Subsidiary”** means a subsidiary as defined in regulation 2(1)(zm) of the SEBI Listing Regulations and as defined under Section 2 (87) of the Companies Act, 2013 and the Rules made thereunder;
- xix. **“SEBI Listing Regulations”** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- xx. **“Unlisted Subsidiary”** means subsidiary of the Company whose securities are not listed on any Stock Exchange(s) in India provided that where this term is defined (whether by way of definition, clarification or explanation) under the LODR Regulations, it shall have the meaning as per such definition.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the SEBI Listing Regulations, Accounting Standard 18 or any other applicable regulation.

4. Governance Framework/Procedure:

(i) Disclosure by Directors & KMP and Identification of the Related Parties:

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1) (zb) of the SEBI Listing Regulations.

Every Director and KMP shall at the beginning of the financial year 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 Related Party with respect to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

The aforementioned disclosures shall be submitted to the Company (i) at the time of appointment of such person to office; (ii) at the first meeting of the Board held in every financial year, and (iii) whenever there is any change in the disclosures already made, then at the first Board meeting held after such change.

Directors shall also make continual disclosures during the financial year, as regards their new directorships by submitting updated forms to the Company for ensuring compliance under Applicable Law and this Policy.

(ii) Disclosure by Directors & KMP and Identification of the Related Parties:

- a) The Related Parties of the Company shall be identified and ascertained in light of the aforementioned definition of the Related Party.
- b) Every Director and KMP of the Company shall be responsible for providing a list of Related Parties to the Company.
- c) The Board shall take note of such disclosures and maintain database of Company's Related Parties.
- d) Any questions as to whether a person is a Related Party or not shall be determined by the Committee.
- e) Compliance Officer shall maintain a database of Company's Related Parties containing the names and other applicable details of individuals and the entities, identified on the basis of the definition set forth in this policy.

5. Identification of Related Party Transaction(s):

The Company shall identify Related Party Transactions in accordance with Section 188 of the Companies Act and Regulation 2(1)(zc) of the SEBI Listing Regulations (as amended from time to time).

The Audit Committee shall consider the following factors while deliberating the Related Party Transactions for its approval:

- ✓ Name of party and details explaining nature of relationship;
- ✓ Duration of the contract and particulars of the proposed transaction;
- ✓ Justification to ascertain whether the transaction is at arm's length and
- ✓ Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

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

- 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.

- Whether there are any compelling business reasons / rationale 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 because 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.
- 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.

6. Approval of Related Party Transactions:

❖ Audit Committee Approval:

- ✓ All Related Party Transactions and any subsequent Material Modifications shall be undertaken only after prior approval of the Audit Committee and these transactions should be approved only by Independent Directors of the Audit Committee.
- ✓ Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- ✓ Remuneration and sitting fees paid by the Company 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 in terms of Regulation 23 of SEBI Listing Regulations.
- ✓ A Related Party Transaction to which the subsidiary of a Company, where applicable, 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.
- ✓ The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to the following conditions:
 - 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 the need for such omnibus approval and that such approval is in the interest of the Company;
 - iii. Such omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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;

Provided that 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 Rs.1 Crore per transaction.

- iv. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given; and
- 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.

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, subject to the following conditions:

- a) The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- b) The transaction is not material in terms of the provisions of Reg. 23 (1) of the SEBI Listing Regulations;
- c) Rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- d) The details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the Reg. 23 (9) of SEBI Listing Regulations;
- e) Any other condition as specified by 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 Company against any loss incurred by it.

Transaction by Subsidiary Company: A related party transactions to which the subsidiary of MPL is a party, but MPL is not the party, shall require prior approval of the Audit Committee of MPL, if the value of such transactions exceeds the limit as prescribed under SEBI Listing Regulations and Act and as amended from time to time.

❖ **Board of Directors Approval:**

All Related Party Transactions within the scope of Section 188 of the Act and Regulation 23 of the SEBI Listing Regulation, which are not in the Ordinary Course of Business and not at an arm's length shall require prior approval of the Board.

In addition, the following Related Party Transactions shall also be placed before the Board for approval:

- ✓ Material Related Party Transactions and any subsequent Material Modifications to Related Party Transactions, which are intended to be placed before the shareholders for approval.
- ✓ All other Related Party Transactions as referred by the Audit Committee from time to time.

Information in such form and manner as prescribed in the Act and/or SEBI Listing Regulations shall be provided to the Board.

Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

❖ **Shareholders' Approval:**

- ✓ All Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not.

However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

- ✓ If a Related Party Transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act, SEBI Regulations, it shall require shareholders' approval. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
- ✓ However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries or 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 and transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

7. Transactions for which separate approval for Related Party Transaction is not required:

The transactions or arrangements which are specifically dealt under the separate provisions of the Law and executed under the separate approvals/procedures from relevant competent authority or Board Committee, as the case may be, shall be deemed to be approved under this Policy and are not required to be separately approved under this Policy.

Such transactions are enumerated as below:

- (i) Share based incentive plans (including ESOPs) for the benefits of the Directors and/or Key Managerial Personnel, pursuant to the approval of the Shareholders.
- (ii) Any benefits, interest arising to Related Party solely from the ownership of Company's shares at par with other holders, for example, dividends, right issues, stock split or bonus shares approved by the Nomination and Remuneration Committee or any other Board composed committee.
- (iii) Transactions arising out of corporate restructuring/compromises/arrangements/amalgamations dealt with under specific provisions of the Act, will not attract requirements of Sec. 188 of the Companies Act, 2013.

8. Minimum Information to be provided for review of the audit committee and shareholders for approval of a related party transaction:

The Company shall ensure compliance with the Industry Standards on "Minimum information to be provided for review of the Audit Committee and Shareholders for approval of Related Party Transaction (RPT) as made applicable and amended by SEBI from time to time.

9. Process for dealing with related party transactions:

- ✓ A list of all the Related Parties in relation to the Company received from the Board shall be updated from time to time.
- ✓ Basis the above-mentioned list of Related Parties, every department shall, prior to entering into any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.
- ✓ The contract/arrangement shall not be entered in to without the necessary approval from the Audit Committee/Board/shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contractor arrangement.

10. Disclosures:

- ✓ **Website:** The Company shall disclose the Policy on dealing with Related Party Transactions on its website of the company www.menonindia.in and a web-link shall be provided in the Annual Report.
- ✓ **Board Report:** Applicable contract or arrangement entered into by MPL requiring Board's and Company's approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- ✓ **Stock Exchanges:** Details of all related party transactions shall be disclosed on half yearly basis to the Stock Exchanges where the securities of MPL are listed.

11. Amendments/Review:

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time. The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment/modification in the Act or the SEBI Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.
