

TIRUPATI FOAM LIMITED

(L25199GJ1986PLC0009071)

MATERIALITY OF RELATED PARTY TRANSACTION

REGISTERED OFFICE

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MATERIALITY OF RELATED PARTY TRANSACTION

1. SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI Listing Regulations”), Tirupati Foam Limited (the Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

As per Regulation 23(1) of the SEBI Listing Regulations, the company has to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

In the light of the above, the Company has formulated a Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions (“Policy”) pursuant to the SEBI Listing Regulations and as amended by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018. This Policy was last approved by the Board of Directors in its meeting held on 30th March, 2019.

Further, in order to align it with the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021 and SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, *the Board of Directors of the Company in its meeting held on 31st March, 2022 has approved this amended Policy which shall be effective from 1st April, 2022.*

This Policy is framed as per the requirements of Regulation 23 of SEBI Listing Regulations [including any modification(s) / amendment(s) / re-enactment(s) thereof] and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013, Regulation 23 of the SEBI

Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

3.1 “**Act**” means the Companies Act, 2013 read with the Rules framed thereunder [including any modification(s) / amendment(s) / re-enactment(s) thereof].

3.2 “**SEBI Listing Regulations**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof].

3.3 “**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.

3.4 “**Ordinary course of business**” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

3.5 “**Company**” means Tirupati Foam Limited.

3.6 “**Relative**” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

3.7 “**Related Party**” have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof].

3.8 “**Related Party Transaction**” have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s)/ amendment(s) / re-enactment(s) thereof].

3.9 “**Audit Committee**” means Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 and as per Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3.10 “**Board**” means Board of Directors of the Company.

3.11 “**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 Rs. 1,000 crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

3.12 “**Key Managerial Personnel**” or “**KMP**” shall have the meaning as defined under sub-section (51) of Section 2 of the Companies Act, 2013.

3.13 “**Material Modifications**” means any modifications to the related party transactions in terms of pricing, quantity, transaction value in excess of 10% of the already approved related party transactions.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable laws or regulations.

4. MATERIALITY THRESHOLDS

Pursuant to Regulation 23(4) of the SEBI Listing Regulations, all material related party transactions and subsequent material modifications shall require prior 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.

Pursuant to Regulation 23(1) and 23(1A) of the SEBI Listing Regulations, the materiality threshold limit of the company shall be at the same level prescribed under the said regulations which is mentioned here under:

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 Rs.1,000 crores or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is low.

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.

5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every director at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made then at the first Board meeting held after such change, shall disclose by way of written notice to the Company, his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding and shall also provide the list of relatives which are regarded as related party as per this policy.

The Company will identify potential transactions with Related Parties based on written notices of concern or interests received from its Directors in the manner prescribed under the Companies Act, 2013 and Rules framed thereunder and SEBI Listing Regulations as amended from time to time.

6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

I. Approval of the Audit Committee:

All Related Party Transactions (“RPTs”) and subsequent material modifications shall require prior approval of the Audit Committee of the Company whether at a meeting or by resolution by way of circulation and only those members of the Audit Committee who are independent directors, shall approve such related party transactions.

The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

The following information should be provided to the Audit Committee for its review for approval of the proposed RPTs:-

a. Type, material terms and particulars of the proposed transaction;

b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);

- c. Tenure of the proposed transaction;
- d. Value of the proposed transaction;
- e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - 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.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant.

The Audit Committee shall recommend the Related Party Transactions for approval of the Board / Shareholders of the Company as per the terms of this Policy.

The Related Party Transactions which requires approval of the shareholders, the notice of the shareholders meeting seeking approval of the proposed RPTs shall in addition to the requirements mentioned under the Companies Act, 2013 should also cover the information mentioned under point nos. a. to j. above as laid down in Clause 6 of this Policy.

The Company may obtain omnibus approval from the Audit Committee for Related Party Transactions proposed to be entered into by the Company subject to the following conditions namely:

- (1) The Audit Committee shall specify the following criteria for granting the omnibus approval :-
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;

- (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
- (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: -
- (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- 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 rupees one crore per transaction.
- (5) 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.
- (6) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (7) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

(8) Any other conditions as the Audit Committee may deem fit.

The transactions entered into between the Company and its wholly owned Subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, the approval of Audit Committee, approval of Board of Directors and in case of material related party transactions and subsequent material modifications approval of the shareholders is not required.

A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, prior approval of the audit committee of the Company shall be required if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.

With effect from April 1, 2023, for related party transaction to which the subsidiary of the Company is a party but the Company is not a party, prior approval of the audit committee of the Company shall be required if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

II. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section proposed to be entered by the Company with a Related Party except the transactions which are in the ordinary course of business other than transactions which are not on an arm's length basis, shall require prior approval of the Board of Directors of the Company.

Where any director is interested in any contract or arrangement with a related party, such director shall not participate at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement and shall abstain from voting.

III. Approval of the Shareholders of the Company

All the related party transactions and subsequent material modifications exceeding the materiality thresholds, laid down in Clause 4 of this Policy, shall be placed before the shareholders for prior approval and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

In addition to the above, all kinds of **Transaction value**

transactions specified under Section 188 of the Act read with rules made thereunder, including any statutory modifications, amendments thereof as may be issued from time to time, transactions exceeding the limits as tabled below shall require prior approval of shareholders by way of a resolution.

Transactions covered

Sale, purchase or supply of any goods or materials directly or through appointment of agents *

amounting to 10% or more of the Turnover of the Company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

Selling or otherwise disposing of or buying property of any kind directly or through appointment of agents *

amounting to 10% or more of the Net Worth of the Company as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

Leasing of property of any kind *

amounting to 10% or more of the Turnover of the Company as mentioned in clause (c) of sub-section (1) of section 188;

Availing or rendering of any services directly or through appointment of agents *

amounting to 10% or more of the Turnover of the Company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company

at a monthly remuneration exceeding Rs. 2.50 Lakh as mentioned in clause (f) of sub-section (1) of section 188;

Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company *

exceeding 1% of the Net Worth of the Company as mentioned in clause (g) of sub-section (1) of section 188.