

## **Maruti Suzuki India Limited**

### **Policy on Related Party Transactions**

#### **I. INTRODUCTION**

Maruti Suzuki India Limited ("**Company**" or "**MSIL**") recognizes that Related Party Transactions (*as defined below*) can present potential or actual conflicts of interest and may raise questions whether such transactions are in the best interest of the Company and its stakeholders. Therefore, this Policy regarding the review and approval of Related Party Transactions and the guidelines on materiality of such Related Party Transactions has been adopted by the Company in order to transparently set forth the procedures under which certain transactions with Related Parties (*as defined below*) must be approved.

#### **II. 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 conflict of interest.

**"Associate Company"** means a company in which MSIL has a Significant Influence, but which is not a Subsidiary company of MSIL and includes a Joint Venture company of MSIL.

**"Audit Committee or Committee"** means Audit Committee constituted by the Board of Directors of the Company under the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and the Companies Act, 2013, from time to time.

**"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time.

**"Financial Year"** means the period beginning April 1 of every calendar year and ending on March 31 of the succeeding calendar year.

**"Force Majeure Event"** shall mean any acts of God, epidemic, pandemic, extremely adverse weather conditions, lightning, earthquake, flood, cyclone, volcanic eruption, chemical or radioactive contamination or ionizing radiation, fire, explosion, war (declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade,

embargo, riot, insurrection, rebellion, terrorist or military action, civil or economic unrest, civil commotion, boycott, political agitation, change in applicable law, expropriation, labor strikes and other similar actions, changes in the economic or political conditions in the location where the parties operate, or any other cause beyond the reasonable control of the parties to the particular Related Party Transaction and without their fault, delay or negligence.

**“Holding Company”** in relation to one or more other companies, means a company of which such companies are Subsidiary Companies.

**“Independent Director”** means an independent director referred to in Section 149(6) of the Companies Act, 2013 read with the rules issued thereunder, and Regulation 16 of the Listing Regulations.

**“Joint Venture”** means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

**“Material Modifications”** means any modification in terms of a Material Related Party Transaction which was approved by the Audit Committee and/or the Shareholders, which will significantly alter the information provided to the Audit Committee and/or Shareholders or change the fundamental nature or basis of the Related Party Transaction and in case of thresholds in relation to overall transaction value, which as a consequence results in an increase of more than 20% from the Budgeted Figures for the particular Material Related Party Transaction

Provided that an increase of more than 20% from the Budgeted Figures shall not be considered as a Material Modification in the event of re-allocation of business from one Related Party to other as a result of Force Majeure Event and which shall be intimated to the Audit Committee.

**“Material Related Party Transaction”** means a Related Party Transaction (including any Transaction to be entered into with a Related Party, individually or taken together with previous Transactions during a Financial Year), which exceeds rupees one thousand crores or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 MSIL, as per the last audited financial statements of the Company.

**“Policy”** means this Policy on Related Party Transactions for MSIL.

**“Budgeted Figures”** shall mean the projected figures provided to and approved by the Audit Committee, which lays down the projected change in the overall transaction value of the Material Related Party Transaction over a period of one year.

**“Promoter”** and **“Promoter Group”** shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

**“Relative”**, shall have the same meaning as defined in Section 2(77) of the Companies Act, 2013, namely with reference to any person, means anyone who is related to another, if:

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) if he or she is related to another in the following manner:
  - a. Father including step-father;
  - b. Mother including step-mother;
  - c. Son including step-son;
  - d. Son’s wife;
  - e. Daughter;
  - f. Daughter’s husband;
  - g. Brother including step-brother;
  - h. Sister including step-sister

**“Related Party”**, with reference to the Company, shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 or under applicable accounting standards, namely –

- i. A director or his relative;
- ii. A key managerial person 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 sub-clauses (vi) and (vii) will not be applicable where the advice, directions or instructions are given in a professional capacity;
- viii. any Body Corporate which is a Holding Company, Subsidiary Company or an Associate Company of the Company or a Subsidiary of a Holding Company to which the Company is also a Subsidiary or an investing company or the venturer of the Company. The “investing company or the venturer” means a Body Corporate whose investment in the Company would result in the Company becoming an Associate Company of the Body Corporate;
  - ix. A director (other than an Independent Director) or key managerial personnel of the Holding Company or his Relative;
  - x. An entity which is Related Party under the applicable accounting standards.

Provided that:

- (i) any person or entity forming a part of the Promoter or Promoter Group of the Company; or
  - (ii) any person or any entity holding equity shares of (a) twenty percent or more (b) ten percent or more with effect from April 1, 2023;
- in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding Financial Year;
- shall be deemed to be a Related Party.

**“Related Party Transaction”** means a transfer of resources, services or obligations between (a) the Company or any of its Subsidiaries on one hand and a Related Party of the Company or any of its Subsidiaries on the other hand, or (b) the Company or any of its Subsidiaries on one hand and any other person or entity on the other hand, the purpose and effect of which is to benefit a Related Party of the Company or any of its Subsidiaries with effect from April 1, 2023, 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, including but not limited to the following:

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company; and
- vii. underwriting the subscription of any securities or derivatives thereof, of the Company.

Provided that the following Transactions shall not be considered to be Related Party Transactions under this Policy:

- a. The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- b. The following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- c. Transactions entered into between (i) the Company and its wholly owned Subsidiary, and (ii) 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.
- d. And any other transaction which may be exempted under the Companies Act and/or Listing Regulations, from time to time.

**“Significant Influence”** means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.

**“Subsidiary Company” or “Subsidiary”** in relation to a Holding Company means a company in which the Holding Company –

- (i) controls the composition of the board of directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its Subsidiary Companies:

*Explanation* – For the purposes of this clause, –

- (a) a company shall be deemed to be a Subsidiary Company of the Holding Company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another Subsidiary Company of the Holding Company;
- (b) the composition of a company's board of directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression "company" includes any Body Corporate.

**"Transaction"** in relation to a Related Party means the contract or arrangement with the Related Party and shall include, where required, any transaction thereunder with a Related Party in that Financial Year, whether entered into individually or not.

**"Transactions in the ordinary course of business"** means Transactions which are in the ordinary course of business as per the judicial precedents in India from time to time and includes usual transactions, customs and practices habitually undertaken by the Company to conduct its business operations and activities.

*Explanation* – In view of the current judicial precedents, the following tests should be considered to determine if a Transaction is in the 'ordinary course of business' of the Company:

- (a) the memorandum of association of the Company should include the business activity which is in question;
- (b) previous instances of the Company having carried out the activity in question; and
- (c) the activity in question should be in furtherance of the business objectives of the Company and there should be a close proximity of the activity in question with the normal business of the Company.

### **III. PROCESS AND PROCEDURE FOR DEALING WITH RELATED PARTY TRANSACTIONS**

#### **a. Audit Committee Approval**

- (1) All Related Party Transactions and all (a) amendments or modifications thereto with respect to the Companies Act, 2013, and (b) subsequent Material Modifications with respect to the Listing Regulations, shall require prior approval of the Audit Committee.

Provided that the approval for Related Party Transactions shall only be granted by those members of the Audit Committee that are Independent Directors.

- (2) All Related Party Transactions to which the Subsidiary of the Company 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 consolidated turnover, as per the last audited financial statements of the Company.
- (3) With effect from April 1, 2023, all Related Party Transactions to which the Subsidiary of the Company 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.
- (4) To review a Related Party Transaction, the Audit Committee shall be provided with the following information:
  - 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 (particular tenure shall be specified);
  - 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 Related Party Transaction 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 Related Party Transaction.
- g) Justification as to why the Related Party Transaction 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 Related Party Transaction on a voluntary basis;
- j) Any other information that may be relevant.

(5) Omnibus Approval:

- (i) The Audit Committee may grant omnibus approval to Related Party Transactions (subject to fulfillment of criteria for granting omnibus approval as specified in this Policy) and such approval shall equally be applicable to Transactions thereunder which are repetitive in nature.
- (ii) The Audit Committee shall (after obtaining the approval of the Board) lay down the criteria for granting the omnibus approval in line with this Policy in respect of Transactions which are repetitive in nature. This criteria shall include the following:
  - 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;
- f. repetitiveness of the Transactions (in past or in future); and
- g. justification for the need of omnibus approval.

(iii) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.

(iv) Such omnibus approval shall specify (i) the name(s) of the Related Party and nature of the relationship; the nature, duration, material terms and other particulars of the 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 a Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval subject to the value of the Related Party Transaction not exceeding rupees one crores per Transaction.

(v) The Audit Committee shall review, at least once every quarter, the details of Related Party Transactions entered into by the Company, pursuant to each omnibus approval granted by the Audit Committee.

(vi) Such omnibus approvals shall be valid for a period not exceeding one Financial Year and shall require fresh approvals after the expiry of the Financial Year.

(vii) Such omnibus approvals shall not be made for any Transactions in respect of selling or disposing of the undertaking of the Company.

(viii) Audit Committee shall review and approve the Budgeted Figures from time to time.

#### **b. Board of Directors Approval**

(6) Approval of the Board of Directors shall be required for entering into Related Party Transactions which are either not in the ordinary course of business or not an Arm's Length Transaction (as defined in this Policy).

- (7) Any member of the Board of Directors, who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

**c. Shareholder Approval**

- (8) Approval of the shareholders of the Company shall be required for entering into:
- (i) Related Party Transactions which are either not in the ordinary course of business or not an Arms' Length Transaction and exceed the limits prescribed under the Companies Act, 2013 read with the rules framed thereunder and the circulars/notifications, etc. issued by the Ministry of Corporate Affairs, as amended from time to time.

As of the date of the adoption of this revised Policy, the thresholds prescribed under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, for determining if a Related Party Transaction is material and requires approval from the shareholders of the Company are as follows:

Prescribed transaction categories	Threshold Limits
Sale, purchase or supply of any goods or material (directly or through an agent)	Amounting to 10 per cent or more of the turnover of the Company
Selling or otherwise disposing of, or buying, property of any kind (directly or through an agent)	Amounting to 10 per cent or more of the net worth of the Company
Leasing of property of any kind	Amounting 10 per cent or more of the turnover of the Company
Availing or rendering of any services (directly or through an agent)	Amounting to 10 per cent or more of the turnover of the Company
Appointment to any office or place of profit in the Company, Subsidiary Company or	Remuneration exceeding rupees 2.5 lakhs per month

Associate Company	
Underwriting the subscription of any securities or derivatives of the Company	Remuneration exceeding 1 per cent of the net worth of the Company

- (ii) Notwithstanding the above limits, in terms of the requirements of the Listing Regulations, all Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders of the Company through resolution.

Provided that the requirement for a fresh shareholders' approval shall not apply to any Related Party Transaction that has been approved by the Audit Committee and the shareholders prior to April 1, 2022.

Provided further that a Related Party Transaction that has been approved by the Audit Committee prior to April 1, 2022 which continues beyond such date and becomes a Material Related Party Transaction shall be placed before the shareholders of the Company in the first annual general meeting held after April 1, 2022.

- (9) Any member of the Company who is a Related Party, shall not vote on resolution passed for approving a Related Party Transaction, whether such entity is a Related Party to the particular Transaction or not.
- (10) Any Related Party Transaction for which the Audit Committee has granted omnibus approval, shall continue to be placed before the shareholders of the Company if it is or becomes a Material Related Party Transaction.
- (11) The notice sent to the shareholders of the Company seeking prior approval for any Related Party Transaction, in addition to the requirements of the Companies Act, 2013, shall include but not be limited to the following information as a part of the explanatory statement:
- A summary of the information provided by the management of the Company to the Audit Committee, as is required under this Policy;
  - Justification for why the proposed Transaction is in the interest of the Company;
  - Where 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 Related Party Transaction.
- d) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed Transaction will be made available through the registered email address of the shareholders;
- e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis;
- f) Any other information that may be relevant.
- g) Any other information as may be notified under the Companies Act, 2013 and/or the Listing Regulations from time to time.

#### **IV. DISCLOSURE**

- (1) The particulars of contracts or arrangement with Related Parties referred to in Section 188(1) of the Companies Act, 2013 shall be disclosed in the Board's report under Section 134 of the Companies Act, 2013.

#### **V. AMENDMENT**

- (1) This Policy shall be reviewed by the Board of Directors at least once every three years or such other shorter period as the Board may decide, and if required be amended accordingly.