



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

Adopted on: 19<sup>th</sup> October, 2015  
First Revision: 1<sup>st</sup> April, 2019  
Second Revision: 1<sup>st</sup> April, 2022  
Third Revision: 23<sup>rd</sup> January, 2025  
Fourth Revision: 24<sup>th</sup> January, 2026

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## **Introduction and Purpose**

The Board of Directors of UltraTech Cement Limited ("the Company"), on recommendation of the Audit Committee, adopted this Policy by its resolution dated 19<sup>th</sup> October, 2015, to:

- a) regulate transactions of the Company with its related parties;
- b) ensure high standards of Corporate Governance while dealing with related parties; and
- c) ensure optimum compliance with various applicable laws prescribed for related party transactions.

## **Definition**

- a) Act means the Companies Act, 2013 and Rules made thereunder, as amended from time to time.
- b) Accounting Standards means the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.
- c) Listing Regulations means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- d) Related Party shall have the same meaning as defined under the Act, applicable Accounting Standards and the Listing Regulations, as amended from time to time.
- e) Related Party Transaction ("RPT") means transactions with related parties as defined under the Act, applicable Accounting Standards and the Listing Regulations, as amended from time to time.

All terms used in this policy but not defined herein shall have the meaning assigned to such terms in the Act, the Listing Regulations and the Accounting Standards, as amended from time to time.

## **Terms and References**

- a) **Arm's Length Basis:** Terms will be treated as on 'Arm's Length Basis' if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc. In case of contracts with related parties for specified period / quantity / services, it is possible that the terms of one-off comparable transaction with an unrelated party are at variance, due to justified reasons, during the validity of contract with related party. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'. Other methods prescribed for this purpose under any law can also be considered for establishing this principle.

b) **Ordinary Course of Business:** Transactions with related parties will be considered in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company's operations or related financial activities, including the fixed assets transactions and pursuant to the objects of the Company.

c) **Materiality:** The materiality of any RPT will be ascertained as per the thresholds prescribed under the Act or the Listing Regulations, whichever is lower:

**(i) Materiality threshold under the Act**

A transaction with a related party shall be considered material if it exceeds threshold as prescribed under section 188 of the Act read with Rules made thereunder or any subsequent amendment thereto.

**(ii) Materiality threshold under Listing Regulations**

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 the following thresholds:

- In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
- In case of any other transaction(s), as per the thresholds set-out below:

<b>Annual Consolidated Turnover of the Company</b>	<b>Threshold</b>
(I) Up to Rs. 20,000 Crore	10% of the annual consolidated turnover of the Company
(II) More than Rs. 20,000 Crore to upto Rs. 40,000 Crore	Rs. 2,000 Crore + 5% of the annual consolidated turnover of the Company above Rs. 20,000 Crore
(III) More than Rs. 40,000 Crore	Rs. 3,000 Crore + 2.5% of the annual consolidated turnover of the Company above Rs. 40,000 Crore or Rs. 5000 Crore, whichever is lower.

For the purpose of computing the thresholds stated above, the annual consolidated turnover of the Company shall be determined based on the last audited financial statements of the Company.

d) **Material Modification:** A modification to a RPT shall be considered material, if the:

- value of the modification individually or taken together with modifications during a financial year, exceeds 10% of the original transaction as approved by the Audit Committee and / or the shareholders.
- material terms of the contract resulting in novation of the contract, change in tenure of the contract, deferment of security / guarantee shall also be treated as a material modification of the transaction.

## **Policy**

a) The RPTs should be in conformity with the Act, Listing Regulations and applicable Accounting Standards, as amended from time to time.

- b) All RPTs shall be entered on arms' length basis and in the ordinary course of business.
- c) All RPTs specified in the Act which are not in the ordinary course of business of the Company or not at arm's length basis, shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of the Audit Committee.
- d) All RPTs specified in the Act which are not in the ordinary course of business of the Company or not at arms' length basis and exceed the thresholds laid down in the Act shall be placed before the shareholders for their approval.
- e) Subject to the conditions mentioned in the Listing Regulations, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company or its subsidiary, which are repetitive in nature, provided that such approval shall remain valid for period not exceeding one year. Further, where the need for RPTs cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions *provided that* value of each such transaction shall not exceed Rs. 1 crore.
- f) All RPTs and subsequent material modifications shall be placed before the Audit Committee for prior approval and only independent members of the Audit Committee will approve these RPTs.

An RPT, above Rs. 1 crore, whether entered into individually or taken together with previous transactions during a financial year, to which any of the Company's subsidiary is a party but the Company is not, will require prior approval of the Company's Audit Committee if the value of such transaction exceeds the lower of the following:

- 10% of the subsidiary's annual standalone turnover, as per the subsidiary's last audited financial statements; or
- the threshold for material RPTs of the Company as set out in the table under sub-paragraph (c)(ii) of the definition of 'Materiality'.

An RPT, above Rs. 1 crore, whether entered into individually or taken together with previous transactions during a financial year, to which any of the Company's subsidiary is a party but the Company is not, and where such subsidiary does not have audited financial statements for a period of at least 1 year, will require prior approval of the Company's Audit Committee if the value of such transaction exceeds the lower of the following:

- 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary, which shall be taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee.
- the threshold for material RPTs of the Company as set out in the table under sub-paragraph (c)(ii) of the definition of 'Materiality'.

Prior approval of the Company's Audit Committee will not be required for a RPT to which the listed subsidiary is a party but the Company is not, if applicable provisions of the Listing Regulations are applicable to such listed subsidiary. For transactions of unlisted subsidiaries of a listed subsidiary, prior approval of the Audit Committee of the listed subsidiary shall suffice.

Remuneration and sitting fees paid by the Company or its subsidiary to its directors, key managerial personnel, or senior management, except who is part of promoter or promoter group, do not require Audit Committee approval provided that the same is not material in terms of the provisions of Listing Regulations.

RPTs which cross the materiality threshold as set out in the table under subparagraph (c)(ii) of the definition of 'Materiality' and subsequent material modifications thereof, shall be entered by the Company only with the prior approval of the shareholders of the Company and no related party shall vote to approve, whether the Related Party is a party to a particular transaction or not.

Prior approval of the Company's shareholders will not be required for a RPT to which the listed subsidiary is a party but the Company is not, if applicable provisions of the Listing Regulations are applicable to such listed subsidiary. For material RPTs of unlisted subsidiaries of a listed subsidiary, prior approval of the shareholders of the listed subsidiary shall suffice.

In case omnibus approval for material RPTs is granted by the shareholders of the Company in an annual general meeting, the same shall be valid till the date of the next annual general meeting held within the timelines as prescribed under Section 96 of the Act or the Listing Regulations or rules, notifications, or circulars issued thereunder from time to time. In case omnibus approval for material RPTs is granted by shareholders of the Company in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

- g) The members of the Audit Committee who are Independent Directors shall have the power to ratify the RPTs within a period of 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:
  - i. 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 Rs. 1 crore;
  - ii. The transaction is not material in terms of the provisions of Regulation 23(1) of Listing Regulations.
  - iii. Rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification.
  - iv. The details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) of Listing Regulations.
  - v. Any other condition as specified by the Audit Committee.

If the Audit Committee's ratification is not sought, the transaction can be considered void by 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 the listed entity against any loss incurred by it.

Subject to applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

- h) Any transaction that is specifically excluded from applicability of the related party provisions under the Act and / or the Listing Regulations shall not require a separate approval under this Policy.
- i) All domestic RPTs shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under Section 92BA of the Income Tax Act, 1961 including certification from Independent accountants under the Transfer Pricing Regulations.
- j) All international RPTs shall comply with the International Transfer Pricing Requirement under Section 92B of the Income Tax Act, 1961 including certification from Independent accountants under the Transfer Pricing Regulations.

### **Administrative Measures**

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned. The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee. The Company Secretary shall be responsible to maintain/update the list of related parties (as required by applicable laws) and provide the same to all concerned. It is the duty of all employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion. The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company.

### **Interpretation**

In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard. In case of any clarification required with respect to this Policy, kindly contact the Company Secretary of the Company.

### **Disclosure**

The Policy is available on the website of the Company and a web link thereto shall be provided in the Company's Annual Report.

### **Review**

This Policy shall be reviewed by the Board of Directors at least once every three years.

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