



LUX INDUSTRIES LIMITED

Policy on materiality of related party transactions and on dealing with Related Party Transactions

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

1. Legislative background

Pursuant to the provisions of Clause 49 of the Listing Agreement, the Board Directors ('Board') of the Company has formulated a policy on dealing with related party transactions on 29th May, 2014. However, pursuant to changes in SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (herein referred to as the "LODR Regulations"), as amended from time to time, the Policy is amended¹ by the Board of Directors of the Company from time to time.

(¹Note: The policy was amended by the Board on 12 Feb, 2019 and further amended on February 03, 2022)

2. Definitions

"Act" means the Companies Act, 2013, and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars thereof.

"Applicable Laws" includes (a) the Act and rules made thereunder as amended from time to time; (b) the LODR Regulations; (c) Indian Accounting Standards; and (d) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

"Arm's Length Transaction" in pursuance of Explanation (b) to section 188 (1) of the Act, means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"Audit Committee (Committee)" means Committee of Board of Directors of the Company constituted under provisions of the Listing agreement as well as the Companies Act, 2013.

"Board" means Board of Directors of the Company.

"Company" means Lux Industries Limited.

"Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

"Key Managerial Personnel" means key managerial personnel as defined under the Act.

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“Material Related Party Transactions under Act” means a transaction as defined under section 188(1) of the Companies Act, 2013 with a related party, where the aggregate value of the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the Act from time to time.

“Material Related Party Transactions under LODR Regulations” means a transaction covered under Regulation 23 of LODR Regulations, as amended from time to time, with a related party as defined hereunder, and value of such transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per last audited financial statements of the company, whichever is lower. Further, transaction with a related party shall be construed to include single transaction or a group of transactions in a contract entered in a financial year.

“Material modification” shall mean any modification made in the terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, as the case may be, having a significant impact on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time.

Provided that there shall be a rebuttable presumption that a modification is material, if such modification, together with previous modifications during a financial year, results into any of the following-

- A variation in the value of the transaction/contract as originally approved, by 25%, or more.
- The terms of the contract cease to be arms’ length.
- Granting of any waiver, abatement or any other relief to either party, which results into a financial implication equal to 25% or more of the value of the contract.
- Extension of tenure of the contract by 25% or more of the original tenure, or continuation of the contract or arrangement beyond the tenure originally agreed upon, except for completion of any residual performances.
- Any modification which results into the claims of either party being subordinated, or relaxation of security interest:
 - Provided that giving any consent for cessation of pari passu charge or any other security interest, provided there is adequate asset cover, shall not be deemed as modification of contract
- Any novation of the contract or arrangement to a third party.

Provided further that the following shall not be considered as material modification -

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- modifications which may be mandated pursuant to change in law,
- modifications pursuant to and in accordance with the terms of the approved transaction/contract, whether with or without mutual consent of parties, as the case may be,
- modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.),
- modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties,
- modifications uniformly affected for similar transactions with unrelated parties

“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.

- A. Some of the principles which Audit Committee and Board may consider while deciding whether a transaction is within the ordinary course of business or not, some of the principles that may be adopted to assess are as follows:
- a. whether the transaction is in line with the usual transactions, customs and practices undertaken by the company to conduct its business operations and activities;
 - b. whether it is permitted by the Memorandum and Articles of Association of the company; and
 - c. whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a company.
- B. The transaction is not
- a. an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements;
 - b. any sale or disposal of any undertaking of the Corporation, as defined in explanation to clause (a) of sub-section (1) of section 180 of the Act

“Policy on materiality of related party transactions” means the policy on materiality of related party transactions adopted by the Board of Directors from time to time.

“Related Party” means an individual or entity shall be considered as ‘related’ to the company if:

- (i) such individual or entity is a related party as defined under Section 2(76) of the Act; or

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- (ii) such individual or entity is a related party under the applicable "Indian Accounting Standards".
- (iii) such individual or entity is a related party as defined under Reg. 2(1)(zb) of the LODR Regulations

"Related Party Transactions" (RPTs) means a transaction involving transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand with effect from April 1, 2022; or
- (ii) a listed entity 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 listed entity 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.

[*]

Any other term not defined herein shall have the same meaning as defined in the Act, the LODR Regulations or any other Applicable Laws.

3. Identification of Related Parties

The Compliance Officer shall at all times:

- i) identify the Company's Related Parties, along with their personal/ company details and compile a list thereof in accordance with Applicable Laws based on such identification as well as the disclosures provided by the Directors and Key Managerial Personnel, the details provided by the CFO or any other person responsible for Accounts & Finance function of the Company and any other information available with the Company.
- ii) ii. identify such managers, departmental heads and such other employees (Designated Employees) who are responsible for entering into contracts/ arrangements/agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company along with the approval thresholds for entering into transactions with such listed Related Parties.
- iii) set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees as specified in (ii) above.

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- iv) update the record of Related Parties whenever necessary and shall be reviewed at least once a year, as on 1st April every year.
- v) place before the Audit Committee [semi-annually] the record of Related Parties and the Designated Employees identified for reporting the Related Party Transactions.
- vi) ensure that Senior Management Personnel discloses to the Audit Committee relating to all material, financial and commercial transactions with Related Parties, where they have personal interest that may have a potential conflict with the interest of the listed entity at large

4. Approval mechanism for RPTs under LODR Regulations and the Act

Related Party Transactions shall require approval as follows -

1. All Related Party Transactions of the Company with its Related Parties shall require prior approval of the Audit Committee. Any subsequent modification (including material modifications) thereto, shall require approval of Audit Committee.
2. All Material Related Party Transactions and any material modification thereto, shall require prior approval of shareholders of the Company.

The Company shall ensure compliance with the relevant provisions of the LODR Regulations, (as amended from time to time) and the Act (as amended from time to time) governing related party transactions, in the following manner:

Review and approval of RPTs

All RPTs are subject to the review and approval as per the below given approval grid:

Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions in the ordinary course of business and on arm’s length basis				
Any transaction with a related party	up to <u>10%</u> of the annual consolidated turnover	√	-	-



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	of the Company			
	In excess of above limits	√	√	√ (All related parties to abstain from voting.)
Transactions either not in the ordinary course of business or arm's length basis				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.		√	√	√* Amounting to 10% or more of the turnover of the company
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.		√	√	√* Amounting to 10% or more of the net worth of the company
Leasing of property of any kind.		√	√	√* Amounting to 10% or more of the turnover of the company
Availing or rendering of any services, directly or through appointment of agent		√	√	√* Amounting to 10% or more of the turnover of the company
Appointment of any related party to any office or place of profit in the company its subsidiary or associate company.		√	√	√* Monthly remuneration exceeding two and half lakh rupees
Underwriting the subscription of any securities or derivatives thereof, of the company		√	√	√* Remuneration exceeding 1% of net worth

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* Note: In case of shareholders' approval for such transactions, related parties that are parties to the contract shall abstain from voting.				
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services		√	√	Amounting to <u>10% or more of the annual consolidated turnover</u> of the company <i>Note: All related parties to abstain from voting.</i>
			For transactions that are not on arm's length basis.	

Besides the approval grid as represented above, the prior approval of the Audit Committee of the listed entity shall also be required in the following instances:

- a. a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of annual consolidated turnover, as per the last audited financial statements of the listed entity; and
- b. a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, 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, with effect from April 1, 2023.

However, such prior approval as mentioned under clause (b) and (c) as aforesaid shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and regulation 15(2) of LODR regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the audit committee of the listed subsidiary shall suffice.

5. Omnibus Approval by the Audit Committee

For the ease of carrying out transactions / contracts / arrangements, the Audit Committee may grant omnibus approvals to the following transactions, subject to clause (b) above, at the last meeting every preceding financial year and such approvals shall be valid till the conclusion of the immediately

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following financial year only. This shall not be applicable to transactions for which omnibus approval of either the board or shareholders has already been sought. Omnibus approvals shall be granted based on the following:

- a. Frequency of the transactions in last 3 (three) years:
- b. Volumes of transactions undertaken with such related party. The maximum value of the transactions, per related party, shall not exceed the following-
 - i) The threshold limits prescribed under Rule 15(3) of Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time, in case the Related Party Transactions falls under transactions specified under section 188(1) of the Act
 - ii) 10% of annual consolidated turnover of the Company, whichever is lower.
Notwithstanding anything contained in the foregoing sub-clauses(i) and (ii), in case of transactions with a wholly owned subsidiary, the maximum value of the transactions, (per transaction or in aggregate) shall be determined on the basis of past trends and quantum of transactions to be entered with such wholly-owned subsidiary in each financial year.
- c. Disclosure of the following matters to the Audit Committee at the time of seeking omnibus approval in a manner so as to enable effective decision making:
 - i) Projected growth rate in the business with the Related party in the financial year for which omnibus approval is sought.
 - ii) Contractual terms offered by third parties for similar transactions
 - iii) Adherence to any conditions on the contractual terms with such Related Parties for instance floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.
- d. Such omnibus approval shall specify the following:
 - i) The name(s) of the related party, nature of transactions, period of transactions, maximum amount of transactions that can be entered into;
 - ii) The indicative base price or current contracted price and the formula for variation in price, if any;
 - iii) The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and
 - iv) Such other conditions as the Audit Committee may deem fit;
 - v) Where the need/ purpose of the transactions to be entered into with Related Parties cannot be foreseen and details related to name of the party, nature of transactions, maximum amount of transaction, indicative base price/ current contracted price and the formula for variation in the price and such other parameters as may be laid down by audit committee, are not available at the time of taking such approval, the omnibus

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approval for such transactions shall be granted subject to their value not exceeding Rs. 1 crore per transaction (Unforeseen Transactions). Further, such transactions shall be reported to the Audit Committee quarterly.

6. Exclusions

Notwithstanding the generality of foregoing, the following transactions shall not be deemed Related Party Transactions for the purpose of this Policy and as such no omnibus approval is required to be granted for same:

- i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iii) 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.
- iv) The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - (a) payment of dividend
 - (b) subdivision or consolidation of securities
 - (c) issuance of securities by way of a rights issue or a bonus issue; and
 - (d) buy-back of securities

7. Ratification of RPTs

Ratification by audit committee

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transactions within a period of three months from the date of entering into such a transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control system, and shall take any such actions it deems appropriate.

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In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of the Policy.

Ratification by the board/ shareholders

In a case where the aforesaid transaction has been ratified by the audit committee, the same shall also be required to be ratified by the board in case where the same is not in the ordinary course or at arm's length. Furthermore, if the said transaction is a material related party transaction, then the same will also be required to be placed before the shareholders for their approval.

8. Review of Related Party Transactions and Policy

The recurring/periodic related party transactions will be review by audit committee on a quarterly basis. Thereafter, the board at least on an annual basis, shall review and assess on-going relationships with the Related Party to ensure that they are in compliance with the Act and rules made there under, SEBI LODR

9. Disclosures

The Related Party Transactions, Material Related Party Transactions, Agreements, Arrangements, Contracts and Policy will be disclosed from time to time as required under the Act (as amended from time to time), LODR Regulations (As amended from time to time) and as per the applicable Indian Accounting Standards.

10.Amendment

Nothing in this Policy shall override any provisions of Applicable Law made in respect of any matter stated in this Policy. This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the LODR Regulations or as may be otherwise prescribed by the Audit Committee/ Board from time to time. The Policy shall be mandatorily reviewed by the Board of Directors at least once every three years. In case, pursuant to any amendment, the terms of this Policy become inconsistent with the provisions, the same will be deemed to reflect the amended provisions till the changes are carried out as mentioned above.

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Review record

Version No.	Change Request by	Reason for of Change	Approval date