



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 TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS ('RPT Policy' or 'the Policy or 'this Policy')

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 the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (herein referred to as the "the SEBI (LODR) Regulations, 2015"), as amended from time to time, the Policy is amended by the Board of Directors of the Company from time to time.

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 SEBI (LODR) Regulations, 2015, as amended from time to time; (c) Indian Accounting Standards; and (d) any other statute, law, standards, regulations, circulars or other governmental instruction relating to Related Party Transactions, as may be applicable to the Company and is in effect from time to time.

"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 a committee of the Board of Directors of the Company constituted under Regulation 18 SEBI(LODR) Regulations, 2015 as well as under Section 177 of the Act.

"Board" means Board of Directors of the Company.

"Company" means Lux Industries Limited.



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“Compliance Officer” means the Company Secretary of the Company or such Compliance Officer identified by the Board for the purpose of SEBI (LODR) Regulations, 2015.

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

“Key Managerial Personnel” means key managerial personnel as defined under the Act and includes the Compliance Officer.

“Material Related Party Transactions under the Act” means a transaction as defined under Section 188(1) of the Companies Act, 2013 with a related party(ies), where the aggregate value of the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed in Rule 15 of the Companies (Meeting of Board and its powers) Rules, 2014.

“Material Related Party Transactions under the SEBI (LODR) Regulations, 2015” means a transaction covered under Regulation 23 of the SEBI (LODR) Regulations, 2015, as amended from time to time, with a related party as defined hereunder, and value of such transaction(s) 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.

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.

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 of the existing limit as sanctioned by the audit Committee or the Board or shareholders, as the case may be.





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- The terms of the contract cease to be at 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 -

- modifications which may be mandated pursuant to change in law;
- modifications pursuant to and in accordance with the approved terms of the 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;





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- 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;

any sale or disposal of any undertaking of the Company, as defined in explanation to clause (a) of sub-section (1) of section 180 of the Act.

“Related Party” means an individual or entity that 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
- (ii) such individual or entity is a related party under the applicable Indian Accounting Standards; or
- (iii) such individual or entity is a related party as defined under Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2015.

“Related Party Transaction” (RPT) means a transaction involving transfer of resources, services or obligations between:

- (i) 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
- (ii) 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;

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.

The transactions specified under the ‘Exclusions’ section of the related party transaction shall not be considered as related party transaction for the purpose of compliance with this Policy, in line with the SEBI (LODR) Regulations, 2015, as amended, modified, or clarified from time to time.

“Subsidiary” means a subsidiary as defined under sub-section (87) of Section 2 of the Act.





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Any other term not defined herein shall have the same meaning as defined in the Applicable Laws.

3. Identification of Related Parties

The Compliance Officer shall:

- i) identify the Company's Related Parties, including those of its Subsidiaries, along with their personal/company details and maintain a comprehensive list in accordance with Applicable Laws. This identification shall be based on disclosures provided by the Directors and Key Managerial Personnels, the details provided by the Chief Financial Officer or any other person responsible for the Accounts & Finance function and any other relevant information available to the Company.
- 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) establish a mechanism for reporting proposed and executed transactions with related parties by the Designated Employees identified in (ii) above.
- iv) update the record of Related Parties whenever necessary and shall be reviewed at least once a year.
- v)
- vi) ensure that Key Managerial Personnel & Senior Management Personnel disclose to the Audit Committee relating to all material, financial and commercial transactions with Related Parties where they have a personal interest that may create a potential conflict with the interest of the Company at large.

4. Approval mechanism for RPTs under SEBI (LODR) Regulations, 2015 and the Companies Act, 2013

Approval for Related Party Transactions shall be obtained as follows -





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1. All Related Party Transactions of the Company including material modifications shall require prior approval from the Audit Committee. Any subsequent modifications to such transactions shall also require approval of Audit Committee.
2. All Material Related Party Transactions and any material modification thereto shall also require prior approval of shareholders of the Company.

The Company shall ensure compliance with the relevant provisions of the SEBI (LODR) Regulations, 2015 and the Companies Act, 2013, 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 of the Company	√	-	-
	In excess of above limits	√	√	√*
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 standalone turnover of the Company





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Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.		√	√	√* Amounting to 10% or more of the standalone net worth of the Company
Leasing of property of any kind.		√	√	√* Amounting to 10% or more of the standalone turnover of the Company
Availing or rendering of any services, directly or through appointment of agent.		√	√	√* Amounting to 10% or more of the standalone 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 a half lakh rupees
Underwriting the subscription of any securities or derivatives thereof, of the Company		√	√	√* Remuneration exceeding 1% of standalone net worth
* <i>Note: In cases where shareholders' approval is required for such transactions, no related party shall vote to approve such resolutions, regardless of whether the entity is a related party to the particular transaction or not.)</i>				
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services		√	√ <u>For transactions that are not in ordinary course of business or not arm's length basis.</u>	√ Amounting to <u>10% or more of the annual consolidated</u> turnover of the Company <i>Note: No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.</i>



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[#]Note – For transactions requiring approval of the Audit Committee, only those members of the Audit Committee who are independent directors, shall vote to approve such transaction.

^{\$} Note – Interested directors shall declare their interest and refrain from participation and voting on such matters.

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 related party transaction to which the subsidiary of the Company is a party but the Company 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.

However, such prior approval as mentioned above shall not be required for: -

- a. the related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15(2) of the SEBI (LODR) Regulations, 2015 are applicable to such listed subsidiary.

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.

- b. the 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 the provisions of Regulation 23(1) of the SEBI (LODR) Regulations, 2015.
- c. transaction to be entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and place before the shareholders at the general meeting for approval; and
- d. transactions to be entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company.

5. Omnibus Approval by the Audit Committee

For the ease of carrying out transactions / contracts / arrangements, the Audit Committee may grant omnibus approvals for related party transactions, to be undertaken by the Company or its subsidiary, as the case may be, tentatively at the last meeting every preceding financial year and





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such approvals shall be valid till the conclusion of the immediately following financial year only. This shall not be applicable to transactions for which 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 or;
 - 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) Such other conditions as the Audit Committee may deem fit; and
 - iv) Such other disclosures as required under the Applicable Laws.

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



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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 approval for such transactions shall be granted subject to their value not exceeding Rs. 1 crore per transaction (Unforeseen Transactions). Further, the Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the listed entity or its subsidiary, pursuant to each omnibus approval granted. Such omnibus approvals shall remain valid for a maximum period of one year and shall require fresh approval upon expiry.

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:

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.

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.

- i) 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.
- ii) The following corporate actions 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
- iii) retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

7. Ratification of RPTs



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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 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:

- (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 rupees one crore;
- (ii) The transaction is not considered material as defined in this Policy or as amended from time to time;
- (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 regulation 23(9) of the SEBI (LODR) Regulation, 2015;
- (v) any other condition as specified by the audit committee.

In any case, 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 the listed entity against any loss incurred by it.

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, subject to compliance with Applicable Laws.

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





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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 the SEBI (LODR) Regulations, 2015.

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

9. Disclosures

The Related Party Transactions, Material Related Party Transactions, Agreements, Arrangements, Contracts and other applicable disclosures will be disclosed from time to time as required under the Applicable Laws.

Disclosure of the Policy: The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.

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 Applicable Laws or as may be otherwise prescribed by the Audit Committee/ Board from time to time. 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.

