

LUX INDUSTRIES LIMITED

Related Party Policy

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## POLICY ON DEALING WITH RELATED PARTY TRANSACTION

### Legislative background

As from 1st October, 2014, clause 49 of the Listing Agreement requires that every listed company shall formulate a policy on dealing with related party transactions. The Board has approved policy on dealing with Related Party Transaction on 29.05.2014. However pursuant to changes in definition of related parties and other changes on the compliance and disclosures directed in SEBI(LODR)(Amendment) Regulations, 2018 and in Companies Amendment Act, 2017, the Policy was amended by the Board of Directors of the Company at its meeting held on February 12, 2019.

### Definitions

“**Company**” means Lux Industries Limited

“**Act**” means the Companies Act, 2013

“**Regulation 23**” means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

“**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

“**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.

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

“**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

“**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 Companies Act, 2013

“**Material Related Party Transaction under Companies Act 2013**” means a transaction as defined under section 188(1) of the Companies Act, 2013 with a related party defined under section 2(76) of the said Act where the aggregate value of the transaction / transactions to be entered into individually or



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taken together with previous transactions during a financial year, exceeds the limits as prescribed under the said Act from time to time.

**“Material Related Party Transaction under Listing Regulations”** means a transaction covered under Regulation 23 of SEBI (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 ten percent of the annual consolidated turnover of the Company as per 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.

### **“Related Party”**

A ‘related party’ is an entity shall be considered as related to the company if:

(i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or (ii) such entity is a related party under the applicable Indian Accounting Standards." (iii) Further any person or entity belonging to the promoter or promoter group of Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

**“Related Party Transaction”** is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and all such transactions covered under SEBI(LODR) Regulations, 2015 (as amended from time to time) and Companies Act, 2013 (as amended from time to time).

*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 law or regulation.*

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract."

### **Compliance with SEBI(LODR) Regulations, 2015 and Companies Act, 2013**

The Company shall ensure compliance with the relevant provisions of the SEBI(LODR) Regulations, 2015(as amended from time to time) and Companies Act, 2013 (as amended from time to time) governing related party transactions, in the following manner:

- a) Generally, all related party transaction shall be in ordinary course of business and at arms length basis.
- b) Related party transactions with Promoters, Directors and KMPs shall be placed before the Audit Committee for prior approval (not applicable if omnibus approval has granted) and thereafter before the Board and shareholders, if required.
- c) Related party transactions with the subsidiaries / associates shall be dealt with in accordance with the transfer pricing policy approved by the Audit Committee. Recurring and regular business transactions which are carried in accordance with the TP policy and for which omnibus approval of Audit Committee has already been sought will not require prior approval of the Audit Committee for each transaction entered pursuant to the same. shall not require specific approval of the audit committee.



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d) Material related party transactions as defined in policy on material related party transactions drawn in accordance with the SEBI (LODR) shall be approved by the shareholders through special resolution.

e) following Related Party Transactions shall not require approval of Audit Committee or Shareholders

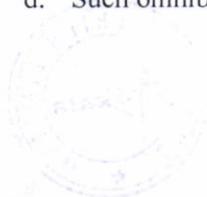
Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of 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. A statement of all related party transactions during a quarter under various categories shall be placed before the audit committee.

### **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 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 Companies Act, 2013 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:



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- 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 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.

### **Procedure to be adopted for Related Party Transactions**

#### **APPROVAL OF AUDIT COMMITTEE**

All Related Party Transactions for which no omnibus approval has been accorded shall require prior approval of the Audit Committee.

#### **APPROVAL OF BOARD OF DIRECTORS**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arms's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;

All the Material Related Party Transactions shall be approved by the Board of Directors of the Company.



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### APPROVAL OF SHAREHOLDERS

All the material related party transactions as defined in this policy shall be approved by the Shareholders through a resolution and all entities falling under the definition of “related parties” and no related parties 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 transactions specified under Section 188 of the Act which : (a) are not at Arm’s length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders’ approval shall not be applicable for 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.

### Related Party Transactions not approved under this policy

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. 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.

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.

### Review of Related Party Transactions and Policy

The recurring/periodic related party transactions will be review by board/audit as per procedures mentioned above. 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

### Disclosures

The Related Party Transactions, Material Related Party Transactions, Agreements, Arrangements, Contracts and Policy will be disclose from time to time as required under Companies Act, 2013 (as amended from time to time), SEBI LODR(Regulations, 2015 (As amended from time to time) and as per applicable Indian Accounting Standards.

