



**POLICY DOCUMENT ON
MATERIALITY

AND

DEALING WITH RELATED PARTY
TRANSACTIONS**

Lumax Auto Technologies Limited

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L31909DL1981PLC349793

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Preamble

Lumax Auto Technologies Limited (“LATL” or “Company”) believes in conducting its affairs in a fair and transparent manner by adopting high standards of professionalism, honesty, integrity, ethical behaviour and complete compliance of laws, as applicable to the Company. Securities and Exchange Board of India (“SEBI”) has mandated every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. In alignment with this philosophy and considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) as amended from time to time, the Board of Directors of the Company, on recommendation of Audit Committee, have formulated this Policy and adopted certain procedures with regard to identification of Related Parties and conducting of Related Party Transactions of the Company.

In view of the notification issued by SEBI, this amended Policy has been adopted by the Board of Directors of the Company in its meeting held on February 09, 2022 on the recommendations of the Audit Committee.

The Board of Directors of the Company (“Board”) on recommendation of the Audit Committee of the Company (“Audit Committee”) shall review the Policy once in three years and may amend the same from time to time, as required.

Objectives of the Policy

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions and
- (b) the manner of dealing with transactions between the Company and its related parties based on the Act, Listing Regulations and any other laws and regulations as may be applicable to the Company.

Definitions

Act	The Companies Act, 2013
Audit Committee	Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and the Act.
Arm’s Length Transaction	a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
Board	Board of Directors of the Company.

- Key Managerial Personnel**
- i. Executive Chairman;
 - ii. Managing Director;
 - iii. Chief Executive officer;
 - iv. Whole time Director;
 - v. Company Secretary; and
 - vi. Chief Financial Officer

or such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board.

LODR/Listing Regulations SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Material Related Party

Transaction Under LODR 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 Rs. 1000 crore or ten percent of the annual consolidated turnover of the Company as per the 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.

The above financial thresholds are subject to any amendments made in the Listing Regulations from time to time, in which case the above thresholds shall deem to refer to such amended threshold(s).

Material Modification

Any modification(s), alteration(s) and/or change(s) to the terms and conditions governing a Related Party Transaction

- (a) 10% of the financial consideration; or
- (b) Changes to the payment terms resulting in deferment of payment of consideration for more than 3 months; or
- (c) having financial implication of more that Rs.50 Crores

shall be considered as material modification.

Ordinary Course of Business

means a transaction which/wherein:

- is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time, or

- is as per historical practice with a pattern of frequency, or
- is in connection with the normal business carried on by the Company, or the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity, or
- is common commercial practice, or
- meets any other parameters/criteria as decided by the Board/Audit Committee.

Related Party

Related Party shall have the same meaning as defined under Section 2(76) of the Act or under the applicable accounting standards read with Regulation 2(1) (zb) of Listing Regulations and other applicable provisions, if any.

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term "Related Party".

Significant Related Party Transaction

A transaction shall be considered material if it exceeds the following limits:

- Sale, purchase or supply of any goods or materials (> 10% of Annual Turnover*)
- Selling or otherwise disposing of, or buying, property of any kind (> 10% of Net Worth*)
- Leasing of property of any kind (> 10% of Turnover)
- Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company (monthly remuneration > Rs. 2.5 Lakh)
- Availing or rendering of any services (> 10% of Turnover)
- Underwriting the subscription of any securities or derivatives thereof, of the company (>1% of Net Worth)

Explanation

* *Turnover or Net worth criteria shall be on the basis of the audited consolidated financial statements of the preceding financial year.*

Related Party Transaction

"Related Party Transaction" shall mean any transaction where a counterparty is a related party and shall include the related party transactions listed under Section 188 (1) of the Act, Regulation 2(1) (zc) of the Listing Regulations, applicable accounting standards and other applicable provisions, if any.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations or any other applicable law or regulation.

Applicability

This Policy shall be applicable to all Related Party Transactions (as defined above) entered by the Company. All Related Party Transactions are to be done strictly as per the procedures, processes and methodologies prescribed in this policy and this policy shall invariably be applicable to the Company and all transactions with its related parties.

However, the provisions given under Listing Regulations / SEBI circulars, as mentioned in this policy shall be applicable only to the Company.

Procedure

a) Identification of Related Parties:

Each Director and Key Managerial Personnel shall, at the beginning of a financial year, disclose to the Company Secretary of the Company particulars of their Related Parties and disclose any changes thereto during the financial year as immediately as practicable. Based on above and where applicable, based on other information, the Company Secretary shall prepare a list of Related Parties. This list will be updated on an ongoing basis to reflect changes, if any.

Further, the Secretarial Department shall on an ongoing basis review the definition of related party under the Act as well as under Listing Regulations.

The Company prefers to receive such notice of any potential related party transaction well in advance so that Audit Committee has adequate time to obtain and review information about the proposed transaction.

- b) Generally related party transactions will be done only at Arm's length in terms of prices/terms and conditions and in the normal course of business. In case where a transaction is done without monetary consideration, then the arm's length price shall be the price, if the transaction should have been transacted at a price, had it not been done without monetary consideration.
- c) Arm's length price comparable to be established for every transaction by any one of the following methods:
- i. Comparison with similar transactions with third parties
 - ii. Having three (3) quotations
 - iii. Establishing comparable prices/terms using reputed data bases or indices.
 - iv. Transfer pricing analysis determined by a third party agency
 - v. Any price determined by any Regulator
 - vi. Third party valuation report to be obtained to establish the Arm's Length Price.
- d) For every related party transaction or modification(s) thereof, necessary approvals shall be obtained from the Audit Committee/Board/Shareholders, as the case may be.
- e) For every related party transaction or modification(s) thereof, necessary approvals shall be obtained from the Audit Committee/Board/Shareholders, as the case may be.

Review and approval of Related Party Transaction

A. Audit Committee

All Related Party Transactions and subsequent Material Modifications thereto shall require prior approval of the Audit Committee before entering into such transaction in compliance with the provisions of the Act and the Listing Regulations, as amended from time to time. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

The Audit Committee shall review the following information for approval of a proposed Related Party Transaction:

- 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;
- d) Value of the proposed transaction;
- e) The percentage of 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 listed entity 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;
 - IV. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
 - V. Justification of entering in Related Party Transactions is in the interest of the listed entity;

- VI. A copy of the valuation or other external party report, if any such report has been relied upon;
- VII. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- VIII. Any other information that may be relevant

The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transaction on an annual basis.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction.

Further, only the members of the audit committee, who are independent directors, shall approve Related Party Transactions.

In case, a Related Party Transaction which is

- (i) not in the ordinary course of business, and / or
- (ii) not at arm's length price,

would require approval of the Board and/or of shareholders, as the case may be.

Omnibus Approval

- ❖ The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to subject to the following conditions:
 - i. The name/s of the related party, nature of transaction, period of 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.
- ❖ The Audit Committee may also for smooth conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available up to a value of Rs. 1 crore per transaction.
- ❖ Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of one financial year.
- ❖ Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

Quarterly statement showing details of transactions as above will be submitted to Audit committee.

B. Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being:

- (i) not in the ordinary course of business, and / or
- (ii) not at an arm's length price,

the Board will consider such factors as nature of relationship with related party, nature of the transaction, duration and particulars of the contract or arrangement, material terms of the contract or arrangement including the value, if any, any advance paid or received against such proposed contract or arrangement, if any the manner of determining the pricing and the business rationale for entering into such transaction and any other information relevant for the Board to take a decision on proposed transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

C. Shareholders

If a Related Party Transaction is;

- (i) a Material Related Party transaction as per Regulation 23 of the Listing Regulations,

or
- (ii) not in the ordinary course of business and/or not at arm's length price and exceeds thresholds as defined in this policy as Significant Related Party transaction in terms of Section 188(1) read with applicable rules made under Act.

it requires approval of the shareholders of the Company.

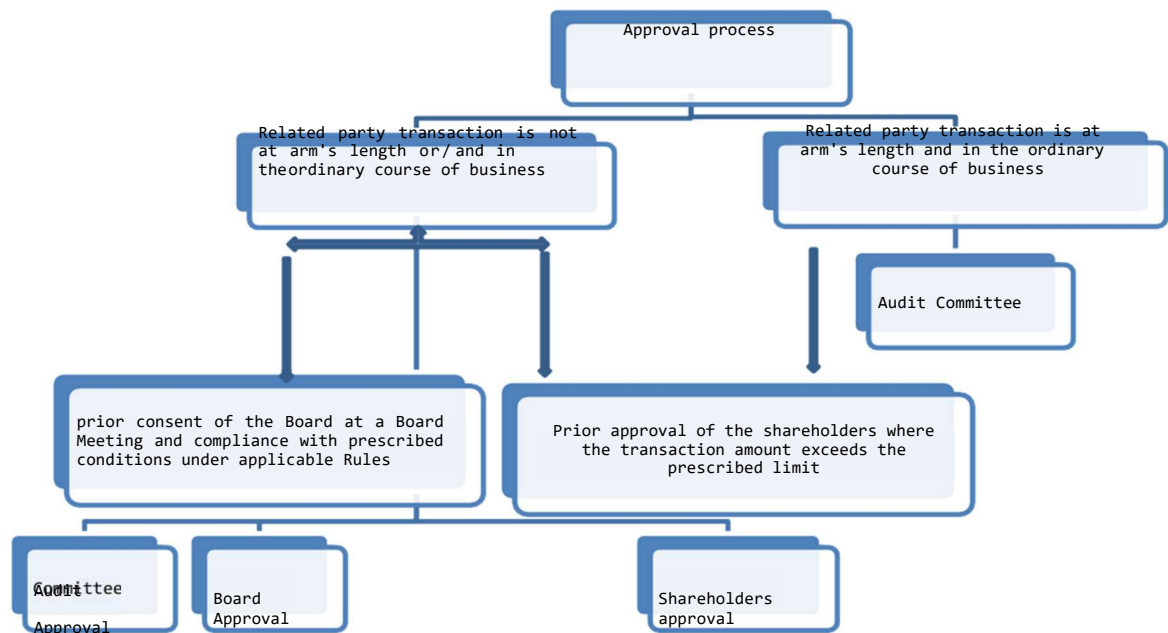
Notice being sent to the shareholders seeking approval for any proposed Related Party Transaction shall, in addition to the requirements under the Act include the following information as a part of the explanatory statement:

- a) summary of the information provided to the audit committee at time of Related party Transaction entered/proposed to be entered;
- b) A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- c) 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;
- d) Any other information that may be relevant.

However, prior approval of the shareholders shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

The requirement of shareholders' approval shall also not be applicable for transactions in respect of which such relaxations/exemptions are provided in the Act and/or the Listing Regulations.

Approval process Chart



Materiality of Transaction:

In relation to all Material Related Party Transactions and/or any material modifications thereto, following procedure shall be followed:

- The Audit Committee shall be responsible to verify materiality threshold of the Company in the meeting where annual consolidated financial statements of the Company are adopted. Such threshold would be relevant for identifying material transactions or any material modification entered / proposed to be entered with a related party in next year.

- The Audit Committee shall verify the potential Related Party Transactions that may exceed the materiality threshold for a particular financial year on a progressive basis.
- The Audit Committee/Board shall review the Material Related Party Transactions or any material modification as per the procedure laid down in the Policy
- The Board shall place the Material Related Party Transactions before the shareholders for their approval.

Pre-approved Transactions

The following types of transactions will be deemed to be pre-approved by the Committee; will not be reviewed by the Audit Committee and do not require approval or ratification:

- a. Director's Appointment and Remuneration/Compensation: Any employment by the Company of, or Remuneration/compensation paid to the Directors or to the Key Managerial Personnel;
- b. Continuing Related Party Transactions: All continuing Related Party Transactions which have been approved by the Audit Committee, Board and Shareholders, shall not be placed for approval again, unless there is any modification in the terms and conditions or the pricing policy. However, as aforesaid, any omnibus approval granted by Audit Committee for repetitive Related Party Transactions shall be valid for one financial year and shall require fresh approval after the expiry of that financial year.

Related Party Transactions not previously approved under the Policy

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

In case the Audit Committee does not deem fit to ratify a Related Party Transaction that has commenced without approval as stated above, the Audit Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction or such other matter as it may deem appropriate. The Audit Committee also has the authority to modify or waive any procedural requirement of the Related Party Transaction to suit the provision of this policy.

The Audit Committee or the Board of Directors or the Shareholders, as the case may be, shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

Disclosures

All related party transactions are to be disclosed in the Company's standalone and consolidated financial statements in accordance with applicable accounting standards.

Details of approvals obtained on Related Party Transactions shall be disclosed to the stock exchanges on quarterly basis in specified format in the compliance report on corporate governance.

Related Party Transactions are to be disclosed to the Stock Exchanges on a consolidated basis, within such period from the date of publication of standalone and consolidated financial results of the Company for every half-year, as may be stipulated in the Listing Regulations from time to time and also be placed on the website of the Company

The Company shall disclose the Policy on dealing with Related party Transactions on its website and a web-link shall be provided in the Annual Report.

The Company shall disclose, in the Board's report, transactions, if any, prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

The Company Secretary shall also arrange to make necessary entries in the Register of Contracts required to be maintained under the Act.

Scope Limitation

In the event of any conflict between this Policy and the Listing Regulations / Act or any statutory enactments, rules, the provisions of such Listing Regulations / Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

Review and Amendment

Board of Directors in its meeting held on February 09, 2022 amended this Policy Documents to align with the requirements of Listing Regulations, as amended. Further, the Board of Directors on recommendation of the Audit Committee shall review this Policy Documents once in three years and may amend the same from time to time.
