

LUMAX AUTO TECHNOLOGIES LIMITED

Related Party Transactions Policy

INDEX

S. No.	Contents
1.	Background and Purpose
2.	Definitions
3.	Approval Mechanism for Related Party Transactions
4.	Review and Approval of Related Party Transactions
5.	Sanctioning of Related Party Transactions not approved under this Policy
6.	Disclosure of Related Party Transaction
7.	Limitation and Amendment

1. Background and Purpose

The 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. 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.

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 10 percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. Notwithstanding the above, 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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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.

Accordingly, this policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations and also provides for materiality of related party transactions.

2. Definitions

“**Act**” shall mean the Companies Act, 2013 and includes any amendment thereof.

“**Audit Committee**” means the Audit Committee of Board of Directors of the Company.

“**Board**” means Board of Directors of the Company.

“**Key Managerial Personnel**” in relation to a Company means:

- (i) the Managing Director, or the Chief Executive Officer or the Manager and in their absence, a Whole-time Director;
- (ii) the Chief Financial Officer
- (iii) the Company Secretary; and

“**Policy**” means Related Party Transaction Policy.

“**Related Party**” as per Companies Act, 2013, with reference to a company means:

- (i) a director or his relative;
- (ii) key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;

- (vi) any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any body corporate which is –

- (A) a holding, subsidiary or an associate company of such company;
- (B) a subsidiary of a holding company to which it is also a subsidiary; or
- (C) an investing company or the venture of the company

[Explanation- The investing company or the venture of a company means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

- (ix) a director [other than an independent director] or key managerial personnel of the holding company or his relative with reference to a company.

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards;

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

“Related Party” as per Indian Accounting Standard (Ind AS) 24 shall mean:

A person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- (a) A person* or a close member of that person’s family** is related to a reporting entity if that person:

- (i) has control# or joint control# of the reporting entity;
 - (ii) has significant influence# over the reporting entity; or
 - (iii) is a member of the key management personnel*** of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provide key management personnel services to the reporting entity or to the parent of the reporting entity.

****Key management personnel* are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The terms '*control*', '*joint control*' and '*significant influence*' are defined in Ind AS 110, Ind AS 111, *Joint Arrangements*, and Ind AS 28, *Investments in Associates and Joint Ventures*, respectively and are used in this Standard with the meanings specified in those Ind Ass

“Related Party Transaction” means any of the following transactions with a Related Party:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party’s appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives of the Company, and
- (viii) any transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and a transaction with a related party shall be construed to include a single transaction or group of transaction in a contract. (as defined under the Listing Regulations)

“Relative” with reference to any person, means anyone who is related to another, in the following manner –

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife;
- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband

- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

“Relative as per Listing Regulations, 2015 means Relative as defined under sub-section 77 of section 2 of the Companies Act, 2013 and rules prescribed thereunder.”

3. Approval Mechanism for Related Party Transactions:

No transaction with a related party shall be entered into by the Company unless it is approved by the appropriate authority as per the below mechanism:

a) Approval by Audit Committee:

- (i) All the Related Party Transactions which are identified as such should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while approving the Related Party Transactions.
- (ii) The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and Section 177 of the Act read with Rule 6A of The Companies (Meetings of Board and its Powers) Rules, 2014 or such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. However, where the need for Related Party Transactions cannot be foreseen and prescribed details are not available, Audit Committee may grant approval for such transactions subject to their value not exceeding Rupees one crore per transaction.
- (iii) 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.

- (iv) 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.

b) Approval by Board of Directors:

All the Related Party Transactions shall be referred by the Company to the Board where such transactions are:

- Not in ordinary course of business
OR
- Not at an arm's length price.

The Board may approve the transactions 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) Approval by Shareholders:

If a Related Party Transaction is a material transaction as per Regulation 23 of the Listing Regulations or not in the ordinary course of business or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction.

4. Review and Approval of Related Party Transactions

In determining whether to approve a Related Party Transaction, the Audit Committee shall consider such factors as it deems appropriate, including without limitation:

- a) the name of the related party and nature of relationship;

- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms;
- f) a general description of the transactions; and
- g) any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

No director shall participate in any approval of a Related Party Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Related Party Transaction to the Committee.

The Committee may at its discretion determine that the factors as considered by the board in approving any related party transaction are adhered and seek an independent valuation or adopt any other checks and balances to ensure conformity with them.

In determining whether to approve a Related Party Transaction, the Committee may take into account the following factors, among others, which it deems appropriate:

- (i) whether the transaction is fair to the Company;
- (ii) the commercial reasonableness of the terms of Related Party Transaction
- (iii) whether the Committee has all of the material facts regarding the transaction or parties involved;
- (iv) whether the transaction is generally available to an unaffiliated third-party under the same or similar circumstances and cost; and
- (v) the extent of the Related Person's interest in the transaction.

The Committee may approve a Related Party Transaction presented to it only if it determines that, based on all of the information presented, the transaction is not inconsistent with the best interests of the Company as a whole. The Committee may, in its sole discretion, impose such terms and conditions as it deems appropriate on the Company or the Related Party in connection with its approval of a Related Party Transaction.

The Audit Committee shall report all Material related party transactions to the Board of Directors. The Company will also seek shareholders' approval for such transaction through special resolution and all entities falling under the definition of related parties shall abstain from voting on such resolution irrespective of whether the entity is a party to the particular transaction or not.

5. Sanctioning of Related Party Transactions not approved under this Policy

If the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the same shall be reported to the Audit Committee for its approval. Such transaction shall not be deemed to be invalid or unenforceable, if the same is approved or ratified as soon as reasonably practicable after the Company becomes aware of such transaction.

While reviewing the aforesaid transaction, the Audit Committee shall consider all the relevant facts and circumstances related to the transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Audit Committee deems appropriate under the circumstances.

6. Disclosure of Related Party Transactions

Every contract or arrangement which is required to be approved by the Board and the shareholders under this Policy, shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement

with with related parties along with the justification for entering into such contract or arrangement.

The details of all material transactions with related parties shall be disclosed on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under Listing Regulations.

Further, the Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website".

7. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.
