

LUMAX AUTO TECHNOLOGIES LIMITED	POLICY NO:	03
	ISSUE DATE:	13-11-2014
	EFFECTIVE DATE:	13-11-2014
RELATED PARTY TRANSACTION POLICY	REVISION NO:	NA
	REVISION DATE :	NA
	PAGES:	12

### 3.1 PREAMBLE

The Company believes in the conduct of its affairs in a fair and transparent manner by adopting high standards of professionalism, honesty, integrity and ethical behavior and complete compliance of laws, as applicable to the Company. Keeping in view of this philosophy, the Board of Directors of the Company, on recommendation of Audit Committee, has adopted the following policy and procedures with regard to Related Party Transactions as defined below.

This policy is to 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.

### 3.2 PURPOSE

This policy aims to comply with the provisions Section 188 of the Companies Act, 2013 and rules framed thereunder and Clause 49 of the Listing Agreement with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. No Related party Transaction may be entered into by the Company except in accordance with the provisions of this policy.

### 3.3 DEFINITIONS

3.3.1 "Audit Committee" means the audit committee of Board of Directors of the Company.

3.3.2 "Board" means Board of Directors of the Company.



**3.3.3** “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 Company Secretary; and
- (iii) the Chief Financial Officer

**3.3.4** “Material Related Party Transaction” means a 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 the last audited financial statements of the company.

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

**3.3.6** “Related Party” means a person or entity that is related to the company in the following manner:

- (i) a director or his relative;
- (ii) a 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 is a member or director;
- (v) a public company in which a director or manager is a director or 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 under 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 company which is –
  - (A) a holding, subsidiary or an associate company of such company ; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary ;
- (ix) a director or key managerial personnel of the holding company or his relative;
- (x) Such entity is a related party under the applicable Accounting standard i.e. AS-18.

**3.3.7 “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) a 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. (as defined under the Listing Agreement)



**3.3.8** “Relative” with reference to any person, means any one 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)

**3.3.9** “Material Subsidiary” shall mean a subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the holding company and its subsidiaries in the immediately preceding accounting year. (Further the company have formulated separate policy for Determining Material Subsidiary as Annexure – A)

**3.4 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:

APPROVING AUTHORITY	TYPE OF TRANSACTIONS	FREQUENCY
Board of Directors followed by Shareholders <sup>1</sup>	Transactions which are not on “Arm’s Length Basis” and in “Ordinary Course of Business”.	ANNUAL
Board of Directors followed by Shareholders <sup>2</sup>	Transactions which exceeds 10% of annual consolidated turnover of the Company as per the last audited financial statements of the Company (regardless of whether they are in the ordinary	ANNUAL

<sup>1</sup> Section 188 of the Companies Act, 2013

<sup>2</sup> Clause 49 of the Listing Agreement



	course of business and/or on arm's length basis)	
Audit Committee <sup>3</sup>	Prior approval of all Related Party Transactions (Omnibus approval)	ANNUAL
	Review the details of RPTs pursuant to each of the omnibus approval.	QUARTERLY

### 3.5 IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

The process for entering into a Related Party Transaction will be as set out below. Transactions with Related Parties shall generally be in the form of agreements/ work orders / purchase orders etc. The Company will:

- a) identify the transactions with Related Parties;
- b) determine whether the transaction is in the ordinary course of business or otherwise;
- c) review the commercial terms involved in the transaction and analyze whether the transaction is at arm's length;
- d) consider the value of the transaction to determine if it is a Material Related Party Transaction;
- e) determine the approval requirements applicable to the transaction in accordance with this Policy;
- f) prepare and maintain relevant documentation supporting the basis of its assessment;
- g) present the required details to the Audit Committee, Board or Shareholders for approvals as required; and

<sup>3</sup> Companies Act, 2013 and Listing Agreement



### **3.6 DETERMINING WHETHER A TRANSACTION IS IN THE ORDINARY COURSE OF BUSINESS OPERATIONS**

Related Party Transactions that are part of regular operative activities, and connected financial activities, shall be considered to be in the ordinary course of business operations. Following are some of the broad criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- (i) Whether the scope of the transaction is generally consistent with the Company's business activities and whether the Company enters into, or can enter into, similar transactions with a third party.
- (ii) Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations.
- (iii) Whether the transaction value is within the reasonable range for similar types of other transactions.

### **3.7 DETERMINING WHETHER A TRANSACTION IS AT ARM'S LENGTH**

The expression "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. In addition to evaluating whether the transaction results in a conflict of interest on the basis of the transfer pricing report, the Company should also consider the additional tests such as those listed below:

- (i) whether the transaction is commercially negotiated;
- (ii) whether the transaction is necessary for business opportunities for growing new or existing markets; and
- (iii) any other matters the Company considers relevant.



For on-going transactions, the last available transfer pricing report shall be the basis of the assessment. For a new transaction, a review and approval by Company's internal transfer pricing tax team would be the basis.

### **3.8 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

3.8.1 The Audit Committee of the Board shall review, approve and, if necessary, recommend to the Board for its approval all Related Party Transactions and any material amendments to such Related Party Transactions. The Audit Committee is authorized to grant omnibus approval for Related Party Transactions proposed to be entered into by the Company during a financial year, which are repetitive in nature. Accordingly, at first meeting of the Audit Committee in every financial year, management shall present to the Committee the following information with respect to all Related Party Transactions expected to be entered into during that financial year:

- 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).

3.8.2 The Audit Committee may also grant omnibus approval for any new transaction upto a limit not exceeding Rs. 1 crore per transaction where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available.



- 3.8.3 The Audit Committee shall review, atleast on quarterly basis, the details of Related party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- 3.8.4 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.
- 3.8.5 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) whether the Committee has all of the material facts regarding the transaction or parties involved;
  - (iii) whether the transaction is generally available to an unaffiliated third-party under the same or similar circumstances and cost; and
  - (iv) 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.

- 3.8.6 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,<sup>4</sup>

---

<sup>4</sup> Clause 49 of Listing Agreement





**3.9 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.

**3.10 DISCLOSURE**

The Company shall disclose the particulars of contracts or arrangements with related parties along with the justification for entering into such contract or arrangement in the Board's report to the shareholders. The Company shall disclose details of all material transactions with related parties, quarterly, along with the compliance report on corporate governance.

The Company shall disclose this policy on its website and a web link shall be provided in Annual Report.

**3.11 POLICY OWNER**

This Policy is framed based on the provisions of Companies Act, 2013/ Listing Agreement, rules and regulations made thereunder. In case of any subsequent changes in the provisions of the Act, 2013/ Listing Agreement or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified by the Audit Committee in due course to make it consistent with law.



Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

Legal and Secretarial department shall be the owner of this policy and the Management of the organization shall follow the procedure defined in this policy while entering into related party transactions.

Approved by:

A handwritten signature in blue ink, appearing to be 'AD'.

**ASHISH DUBEY  
CHIEF FINANCIAL OFFICER**



**Annexure - A**

<b>LUMAX AUTO TECHNOLOGIES LTD</b>
<b>POLICY FOR DETERMINING MATERIAL SUBSIDIARIES</b>

**1. Purpose and Scope :**

The Policy for determining 'material' subsidiary companies has been framed in accordance with the provisions of clause 49(V) (D) of the Listing Agreement, as amended.

The Policy will be used to determine the Material Subsidiaries of LUMAX AUTO TECHNOLOGIES LIMITED and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy , unless defined hereafter, shall have meaning respectively assigned to them under the Listing Agreement and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made / issued thereunder, as amended, from time to time.

**2. Identification of 'Material' subsidiary :**

A subsidiary shall be considered as material if –

- a. the investment of the Company, whether current or prospective, in the subsidiary exceeds 20 per cent of its consolidated net worth as per the audited balance sheet of the previous Financial year or,
- b. if the subsidiary has generated 20 per cent of the consolidated income of the company during the previous financial year.

Material non-listed Indian subsidiary shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20 per cent of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding financial year.

**3. Governance framework :**

- i. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
- ii. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.



- iii. The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered in to by the unlisted subsidiary company.
- iv. One Independent Director of the Company shall be a director on the Board of the Material Non- Listed Indian Subsidiary Company.
- v. The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.

#### **4. Disposal of Material Subsidiary:**

The Company shall not dispose of shares in its' material subsidiary which would:

- a. reduce its shareholding (either on its own or together with other subsidiaries) to less than 50 per cent or cease the exercise of control over the subsidiary or,
- b. amounting to more than 20 percent of the assets of the material subsidiary on an aggregate basis during a financial year without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal under the Companies Act, 2013 or rules made thereunder.

#### **5. Disclosures:**

The Policy for determining material subsidiaries is to be disclosed to the Stock Exchanges and in the Annual Report of the Company, as per the provisions of laws in force.

The policy shall also be uploaded on the website of the Company at [www.lumaxautotech.com](http://www.lumaxautotech.com)

Approved by:



**ASHISH DUBEY**

**CHIEF FINANCIAL OFFICER**

