

## **RELATED PARTY TRANSACTIONS POLICY**

### **PREAMBLE**

LMW Limited (formerly known as Lakshmi Machine Works Limited) (the Company) believes in ethical conduct of business and maintains transparency and accountability in its activities. The Company rigorously ensures compliance with all applicable Statues, Rules and Regulations. The Company acknowledges that Related Party Transactions represent, present or potential conflict of interest between Directors / Senior Management etc. with the interests of the Company.

### **OBJECTIVE**

This policy is intended to provide a framework to monitor and ensure proper compliance of the applicable statutory provisions relating to identifying, approving, recording and reporting of transactions between the Company and any of its related parties.

### **SCOPE OF THE POLICY**

The Company's policy and procedure relating to identification, regulation, governance of all transactions of the Company with related parties as contemplated under Section 188 of the Companies Act, 2013, the Companies (Meeting of Board and its Powers) Rules, 2014, Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) and the relevant Accounting Standard(s) are addressed in this policy. Any exceptions provided in the Policy on Related Party Transactions under this policy are consistent with the said Acts / Regulations.

### **DEFINITIONS**

**“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;

**“Audit Committee or Committee”** means the Audit Committee of Board of Directors of the Company;

**“Board” or “Board of Directors”** means the Board of Directors of the Company, as constituted from time to time;

**“Companies Act”** means the Companies Act, 2013 together with the rules and regulations formulated thereunder, as amended from time to time;

**“Director”** means person as defined in Section 2(34) of the Companies Act;

**“Key Managerial Personnel” or “KMP”** means the Managerial Personnel as defined under Section 2(51) of the Companies Act;

**“Policy”** means this Related Party Transactions Policy;

**“Related Party”** means a party as defined in Section 2(76) of the Companies Act, 2013 read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations;

**“Related Party Transaction”** means a transaction as defined under clause (zc) of sub-regulation (1) of Regulation 2 of the Listing Regulations.

A **“transaction”** with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

**“Material Related Party Transaction”** means a Related Party Transaction which exceeds the limits as laid down hereunder:

<b>Nature of Transactions</b>	<b>Materiality as per Companies Act, 2013 (A)</b>	<b>Materiality as per Listing Regulations (B)</b>
Sale, purchase or supply of any goods or materials directly or through appointment of agents.	10% or more of Turnover of the Company	All transactions (individual or together with previous transactions during a Financial Year) with one party exceeding the lower threshold of Rs.1,000 Crore or 10% of the Annual Consolidated Turnover.
Buying, selling or disposing of property of any kind directly or through appointment of agents.	10% or more of Net worth of the Company	
Leasing of any kind of property	10% or more of Turnover of the Company	
Availing or rendering of any services directly or through appointment of agents.	10% or more of Turnover of the Company	However, 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 (individually or taken together with previous transactions during a financial year) exceed five percent of the Annual Consolidated Turnover as per the last Audited Financial Statements.
Appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company.	Monthly remuneration exceeding Rs.2,50,000/-	
Remuneration for underwriting the subscription of any securities in or derivatives thereof.	Exceeding 1% of net worth of the Company	
Any other Related Party Transactions other than that set out in the table above.	-	

*Explanation:- The Turnover or Net Worth referred in the above table shall be computed on the basis of the Audited Financial Statements of the preceding Financial Year.*

**“Material modification”** shall mean any change to the existing limits by 100% or more.

**“Relative”** means a relative as defined in Section 2(77) of the Companies Act, 2013;

**“Listing Regulations” “SEBI LODR Regulations” “LODR”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Words and expressions used in this policy not specifically defined will have the same meaning assigned to them in the Companies Act, 2013 Rules framed thereunder, SEBI (LODR) Regulations and the applicable Accounting Standards.

**MAINTENANCE OF THE LIST OF RELATED PARTIES**

The Officers of the Company, such as Chief Financial Officer, Company Secretary and Head of Supply Chain Management (SCM) are responsible for maintenance of list of related parties of the Company at all times. A database of all the Related Parties of the Company, containing the names of individuals, firms and Companies, identified on the basis of the definition set forth above and on the basis of the declarations / disclosures given by the Directors and KMPs.

**UPDATING RELATED PARTY LIST**

The list of related parties shall be updated on the receipt of the general notice of disclosure given by the Directors and the KMPs at the beginning of every Financial Year and shall be updated on receipt of any intimation of change in interest by the Directors and KMPs from time to time.

**RECORD OF ARM'S LENGTH TRANSACTIONS AND TRANSACTIONS TAKING PLACE IN THE ORDINARY COURSE OF BUSINESS**

It shall be the responsibility of the responsible officials of the Company to preserve necessary evidences such as copies of contracts, bills, invoices, correspondences, quotations, bids etc., to ensure that the transaction is an arm's length transaction. The officials should also ensure requisite evidence and documentation are made available to the Auditors / Audit Committee, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis and are taking place in the ordinary course of business.

**FRAMEWORK OF APPROVALS FOR RELATED PARTY TRANSACTIONS**

All Related Party Transactions shall be subject to the overall framework for approval as given hereunder:

**Level 1 - Audit Committee Approval**

- (i) All Related Party Transactions and subsequent material modifications shall require the prior approval of the Audit Committee of the Company.

Provided that a Related Party Transaction to which the Subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction, whether entered into individually or taken together with previous transactions during a Financial Year, exceeds ten per cent of the Annual Standalone Turnover, as per the last Audited Financial Statements of the Subsidiary.

Provided further that the transactions in the nature of remuneration and sitting fees paid to Directors, Key Managerial Personnel or Senior Management who are not a part of Promoter or Promoter Group, shall not require the approval of the Audit Committee provided that the same is not a Material Related Party Transaction under the Listing Regulations.

Provided further that 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:

- a) 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.
  - b) The transaction is not a Material Related Party Transaction under the Listing Regulations.
  - c) The rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification.
  - d) the details of ratification shall be disclosed along with the disclosures of Related Party Transactions to the Stock Exchanges as required under Listing Regulations.
  - e) any other condition as specified by the Audit Committee from time to time.
- (ii) The Audit Committee may grant omnibus approval for Related Party Transactions subject to the conditions as laid down under the Companies Act and the Listing Regulations.
- (iii) The Audit Committee shall review on a quarterly basis the details of Related Party Transactions.
- (iv) Only the members of the Audit Committee who are independent shall approve the Related Party Transactions.

### **Level 2 - Board Approval**

- (v) All Related Party Transactions falling under the purview of Sections 184 or 188 of the Companies Act and which are not taking place in the ordinary course of business and are not arms' length transaction shall require the prior approval of the Board of Directors of the Company.

Provided that where any Related Party Transaction as referred to above falling under the purview of Section 188 of the Companies Act is entered into by a director or any other employee of the Company, without obtaining the consent of the Board and if it is not ratified by the Board within three months from the date on which such Related Party Transaction was entered into, such Related Party Transaction shall be voidable at the option of the Board.

Provided further that where any Director is interested in any Related Party Transaction, such Director shall disclose the nature of his concern or interest and shall not be present at the meeting during discussions on the subject matter of the Resolution.

### **Level 3 - Shareholder's Approval**

- (i) All Material Related Party Transactions exceeding the materiality threshold under the Listing Regulations and subsequent material modifications shall require the prior approval of the shareholders of the Company through a Resolution and no related party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not.

- (ii) All Material Related Party Transactions exceeding the materiality threshold under the Companies Act and which are not taking place in the ordinary course of business and are not arms' length transaction shall require the prior approval of the shareholders of the Company by a Resolution and no member of the Company shall vote on such resolution, to approve any Related Party Transaction which may be entered into by the Company, if such member is a related party.

Provided that where any Material Related Party Transaction under the Companies Act is entered into by a Director or any other employee, without obtaining the approval by a Resolution in the General Meeting and if it is not ratified by the shareholders at a meeting within three months from the date on which such Related Party Transaction was entered into, such Related Party Transaction shall be voidable at the option of the shareholders.

## **A. Exemptions**

### **Companies Act**

- (i) Any transaction(s) entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.
- (ii) Any transaction(s) entered into between a Holding Company and its Wholly Owned Subsidiary whose accounts are Consolidated with Holding Company and placed before the shareholders at the General Meeting for approval.

### **Listing Regulations**

- (i) Any transaction(s) entered into between two public sector Companies.
- (ii) Any transaction(s) entered into between a Holding Company and its Wholly Owned Subsidiary whose accounts are consolidated with such Holding Company and placed before the shareholders at the General Meeting for approval.
- (iii) Any transaction(s) entered into between two Wholly Owned Subsidiaries, whose accounts are consolidated with Holding Company and placed before the shareholders at the General Meeting for approval.
- (iv) Any transaction(s) which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (v) Any transaction(s) entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

## **THE PROCESS OF MONITORING / APPROVING RELATED PARTY TRANSACTIONS**

Functional / Departmental heads shall submit to the CFO the details of proposed transaction with related parties with details / draft contract or other supporting documents to identify whether the transactions are on arms' length basis and is taking place in the ordinary course of business at prevailing market price or otherwise. The CFO shall write to the Company Secretary with such details.

Based on this note, Company Secretary will appropriately take it up for necessary approvals from the Audit Committee / Board of Directors / Shareholders as the case may be and convey back the decision to the originator.

## **CONSIDERATION OF RELATED PARTY TRANSACTIONS FOR APPROVAL**

By the Audit Committee / Board of Directors

To review and approve a Related Party Transaction, the Audit Committee / Board shall be provided with:

- the name of the related party, the interested Director / KMP and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- any other information relevant or important to take a decision on the proposed transaction.
- All other information as required under the Companies Act and the Listing Regulations read with the notifications and circulars issued from time to time by SEBI / Stock Exchange(s) regarding the proposed transaction.

The Audit Committee / Board, before approving such transactions, shall look into the interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits to the Company.

In determining whether to approve a Related Party Transaction or not, the Audit Committee / Board may consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and are on arm's-length basis to the Company and the terms and conditions of such transaction are similar with that of the transaction with an unrelated third party;
- Whether there are any compelling business reasons for the Company to enter into the Transaction with the related party and any other alternative source of supply / service is available;
- Whether the Related Party Transaction would affect the independence of an Independent Director;



- Whether the proposed transaction includes any potential reputational risk that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company; and
- any other information relevant or important to take a decision on the proposed transaction.

**By the Shareholders**

In compliance with Section 188 of the Companies Act, 2013 and the Listing Regulations, the Board of Directors while seeking approval of the shareholders for the Related Party Transaction(s) shall include the following information in the notice convening the General Meeting:

- name of the related party;
- name of the Director or Key Managerial Personnel who is related, if any;
- nature of relationship;
- nature, material terms, monetary value and particulars of the contract or arrangement;
- any other information relevant or important for the members to take a decision on the proposed resolution.
- All other information as required under the Companies Act and the Listing Regulations read with the notifications and circulars issued from time to time by SEBI / Stock Exchange(s) regarding the proposed transaction.

**ENHANCED DISCLOSURE**

Enhanced disclosure of information in relation to Related Party Transactions, as notified by the Securities and Exchange Board of India, from time to time, be:

- a. placed before the Audit Committee
- b. provided in the Notice to Shareholders for Material Related Party Transactions and
- c. provided to the Stock Exchanges every six months in the format specified by the Securities and Exchange Board of India within the timelines as stipulated thereunder.

**ROLE OF INDEPENDENT DIRECTORS**

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business, not on arm's length basis and are Material Related Party Transactions and approve such transactions only if they are required in the best interest of the Company.

**THRESHOLD LIMITS**

Pursuant to Regulation 23 of Listing Regulations, the threshold limits for Related Party Transactions for each Financial Year is as under:

<b>S. No</b>	<b>Criteria</b>	<b>Amount</b>
1	Maximum value of transaction, in aggregate, for a related party, which can be allowed under the omnibus route in a year.	Aggregate value shall not exceed 10% of the Annual Consolidated Turnover of the preceding Financial Year.
2	Maximum value per transaction which can be allowed under omnibus route. (Subject to overall limit as specified in Point 1)	One Crore only

Maximum value per transaction which exceeds the limit as mentioned in point 2 but within in the limit as mentioned in point 1, then it shall be transacted only with the approval of the Audit Committee and Board of Directors.

Maximum value per transaction which exceeds the limits as mentioned in point 2 and point 1, then it shall be transacted only with the approval of the Audit Committee, Board of Directors and Shareholders.

**DEALING WITH UNAPPROVED RELATED PARTY TRANSACTIONS**

Any Related Party Transaction has taken place without the approval of Audit Committee / Board / Shareholders as the case may be, required under the policy, the Audit Committee shall, before its consummation review the same for approval or otherwise.

The Audit Committee shall consider all of the relevant facts and circumstances relating to the Related Party Transaction and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee.

Where, the Audit Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as it may deem appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

Where the ratification of the Audit Committee has not been sought, the transaction shall be 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 be required to indemnify the Company against any loss incurred by it.

Where any contract or arrangement is entered into by a Director or KMP, without obtaining the approval of the Audit Committee or Board or Shareholders as required above and if it is not ratified by the Board or Shareholders within three months from the date on which such contract or arrangement was entered, shall be dealt with as per Section 188(3) of the Companies Act, 2013.



**REPORTS AND DISCLOSURES**

- Particulars of Contracts and arrangements with related party covered under this policy requiring members' approval shall be appropriately referred to in the Board's Report to the members along with the justification for entering into such contract or arrangement.
- Details of all material transactions with related parties are to be disclosed every quarter along with the compliance report on corporate governance.
- The Company shall disclose the policy relating to Related Party Transactions on its website and Annual Report in the manner or mode, as may be indicated by the relevant Act / Regulations.
- The Company shall disclose the name of the related party, the nature of relationship, the transaction details and such other details as required under relevant Accounting Standard, in the Annual Report.

**MAINTENANCE OF REGISTERS**

- The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, and enter therein the particulars of applicable Related Party Transactions and such register is placed / taken note of before the meeting of the Board of Directors.
- The Company shall maintain such register at the Registered Office of the Company and provide extracts from such register to a member of the Company on his / her request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company.
- The register shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.
- The register shall be preserved permanently and shall be kept in the custody of the Company Secretary / Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

**AMENDMENTS TO THE POLICY**

The Board of Directors amend this policy, as may be required to be in line with the changes, amendments and modifications if any in the Companies Act, Rules, SEBI (LODR) Regulations and the Accounting Standards.

Managing Director of the Company is authorized to make minor modifications to this Policy which will remove ambiguities, enhance clarity on the provisions of the Policy, etc.

In case of any amendment, clarification, circular, notification etc. issued by a competent authority, which is not consistent with the provisions laid down under this Policy, the provisions of such amendment, clarification, circular, notification, etc. shall prevail and this policy shall stand amended accordingly, without any further action, on and from the date on which such amendment, clarification, circular, notification comes into effect.