

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

Effective Date: 01-04-2024

Contents

1. INTRODUCTION	3
2. OBJECTIVE OF THE POLICY	3
3. DEFINITIONS	3
4. RELATED PARTY TRANSACTIONS UNDER THE POLICY	6
5. IDENTIFICATION OF RELATED PARTY	6
6. IDENTIFICATION OF RELATED PARTY TRANSACTIONS	7
7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS	7
8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY	9
9. DISCLOSURES.....	10
10. AMENDMENT	10

1. INTRODUCTION

Section 188 of the Companies Act, 2013 (the “**Act**”) and Regulation 23 of Securities and Exchange Board of India (Listing of Obligations and Disclosure Requirements) Regulations, 2015 (“**the Listing Regulations**”) requires listed companies to formulate a Policy on materiality of Related Party Transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors (the “**Board**”).

With a view to ensure that the Related Party Transactions are in the best interest of the Company and its Stakeholders, the Board of Indus Fila Limited (the “**Company**”) has adopted this Policy on materiality of Related Party Transactions and Dealing with Related Party Transactions (the “**Policy**”) upon recommendation of the Audit Committee.

2. OBJECTIVE OF THE POLICY

The Board, after considering the recommendation of the Audit Committee, has adopted the Policy and associated procedures with regard to Related Party Transactions.

The objective of this Policy is to ensure that proper review, reporting, approval and disclosure processes are in place for all transactions between the Company and its Related Parties in accordance with the applicable laws.

3. DEFINITIONS

‘**Applicable Laws**’ means the Act and corresponding rules prescribed thereunder, the Listing Regulations and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

‘**Arm’s Length Transaction**’ means a transaction between two related parties which is conducted as if they were unrelated, so that there is no question of conflict of interest.

‘**Associate Company**’ means in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company as per sub-section (6) of Section 2 of the Act.

For the purpose of this clause, “significant influence” means control of at least 20% (twenty per cent) of total voting power, or control of or participation in business decisions under an agreement and “joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

‘Audit Committee’ means the Committee of the Board which, as on date, is constituted under the provisions of Regulation 18 of the Listing Regulations and Section 177 of the Act and other applicable rules thereunder.

‘Body Corporate’ means an entity as defined in Section 2(11) of the Act.

‘Control’ shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

‘Director’ means a person as defined in Section 2(34) of the Act.

‘Employees’ mean the employees and office-bearers of the Company, including, but not limited to, Whole-Time Directors.

‘Holding Company’ means in relation to one or more companies means a company of which such companies are subsidiary companies as per sub-section (46) of Section 2 of the Act.

‘Key Managerial Personnel’ means key managerial personnel as defined under the Act and includes:

- a. Managing Director, or Chief Executive Officer or Manager
- b. Whole time Director;
- c. Company Secretary;
- d. Chief Financial Officer;
- e. 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; and
- f. such other officer as may be prescribed.

‘Material Modification’ means modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

‘Material Related Party Transaction’ means a transaction to be entered into with a related party, individually or taken together with previous transactions during the financial year, exceeds the following limits

- a. In case of any other transaction(s), 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 rupees one thousand crore or 10% (ten) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company whichever is lower
- b. Notwithstanding the above, in case of 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 5% (five) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

‘Ordinary Course of Business’ means with reference to a transaction with a related party means all such acts and transactions undertaken by the Company (i) in the normal course of business to conduct its business operations and activities and includes all such activities which the Company can undertake as per the Memorandum of Association of the Company, (ii) historical practice with a pattern of frequency, (iii) common commercial practice; or (iv) meets any other parameter/ criteria as decided by the Board/ Audit Committee, from time to time.

‘Relative’ means shall have the meaning assigned to it in Section 2(77) of the Act and the rules prescribed thereunder, and as per Regulation 2(1)(zd) of the Listing Regulations, each as amended.

‘Related Party’ means shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations from time to time and the applicable accounting standards, each as amended.

As per Section 2(76) of the Companies Act, 2013, Related Party means:

- a. a director or his relative;
- b. key managerial personnel or his relative;
- c. a firm, in which a director, manager or his relative is a partner;
- d. a private company in which a director or manager or relative is a member or director;
- e. 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;
- f. 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;
- g. 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;
- h. 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; (C) an investing company or the venturer of the company. For the purpose of this clause, “the investing company or the venturer 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.
- i. A Director (other than Independent Director) or Key Managerial Personnel (KMP) of the holding company of such company or his relative.
- j. Such other person as may be prescribed under the Act, and the rules framed thereunder.

‘Related Party Transactions’ means such transactions directly or indirectly involving any Related Party as specified under Section 2(76) read with Section 188 of the Act, or Rules prescribed thereunder and 2 (1) (zc) of the Listing Regulations including any amendment or modification thereof, as may be applicable. Related Party Transaction shall be construed to include a single transaction or a group of transactions in a contract.

‘Senior Management’ means officers/personnel of the listed entity who are members of its core management team excluding Board of Directors and normally this shall comprise all members of Management one level below the Chief Executive Officer/Managing Director/Whole Time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the Board) and shall specifically include Company Secretary and Chief Financial Officer.

‘Subsidiary’ means a Company as defined in Section 2(87) of the Act read with relevant Rules prescribed thereunder.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other Applicable Law or Regulation in force.

4. RELATED PARTY TRANSACTIONS UNDER THE POLICY

The Company deploys both technical and commercial expertise in managing the functions of viz., Service, Marketing, Sourcing, Finance, Internal Audit and Secretarial. The Company also has structured delegation of authority. The Senior Management is educated on Related Party Transactions.

Related Party Transactions, whether under the Act or under the Income Tax Act, 1961 including nuances and changes therein are informed to the Senior Management from time to time by the Corporate Finance team including those in Direct and Indirect Taxations. As a matter of policy, regardless of whether an entity is a Related Party or not, there is an inherent mechanism by which comparative quotes are obtained from more than one source before fixing prices in respect of procurements. When it comes to pricing of sale transactions, there is no specific guideline or instruction for any concessional approach to be adopted for sale transactions with Related Parties.

Any transfer of resources, services or obligations between the Company and a Related Party, would get covered as a **‘Related Party Transactions’**, whether or not, there is an element of consideration or price.

5. IDENTIFICATION OF RELATED PARTY

Each Director and Key Managerial Personal is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “Related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the Company at the time of appointment and also at the time of first Board Meeting in every financial year and whenever there is any change in the disclosures already made.

6. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and as per the Listing Regulations.

7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

a. Approval of the Audit Committee

All Related Party Transactions and subsequent material modification(s), if any, shall require prior approval of Audit Committee and shall be approved by only those members of the Audit Committee, who are Independent Directors.

Provided specifically, the transactions of the following nature will mandate prior approval by the Audit Committee:

- A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 consolidated turnover, as per the last audited financial statements of the listed entity
- related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 consolidated turnover, as per the last audited financial statements of the listed entity.
- Provided prior approval of the audit committee shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

Audit Committee shall have all rights to call for information/documents in order to understand the scope of the proposed related party transactions.

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- Such omnibus approval shall specify the following:
 - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into.

- the indicative base price / current contracted price and the formula for variation in the price if any, and
- such other conditions as the audit committee may deem fit.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.

- The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- However, the details of the transactions entered into under such approvals, will be placed for review of the Committee/ Board on a quarterly basis.

b. Approval of the Board of Directors

The following transactions shall require a prior approval of the Board:

- Related party transactions which are not in the ordinary course of business or not at arm's length price;
- Transactions, as specified under section 188 of the Act;
- Material related party transactions.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Any member of the Board who is interested or has potential interest (as mentioned under Section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

Where any director is interested in any contract or arrangement with a related party, such director shall abstain from the discussions on the subject matter of the resolution relating to such contract or arrangement.

If a Related Party Transaction will be ongoing, the Board of Directors may, in its discretion, establish guidelines for the Company's Management to follow in its ongoing dealings with the Related Party.

Thereafter, the Board of Directors shall periodically review and assess ongoing relationships with the Related Party to see that they are in compliance with the Board of Directors' guidelines.

c. Approval of Shareholders

Following transactions shall require prior approval of the Shareholders/ Members of the Company by way of a Resolution passed at the General Meeting of the Company:

- All material related party transactions and subsequent material modifications as defined by the audit committee.
- All related party transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act.
- A related party transaction to which the subsidiary of the Company is a party but the Company itself is not a party to the transaction and if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual consolidated turnover.

Further, prior approval of the Shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if Regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

- In addition to the above, all kinds of transactions specified under Section 188 of the Act as mentioned below shall require approval of Shareholders if the transactions:
 - a. are not in the ordinary course of business or not at arm's length basis; and
 - b. exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time).
 - c. no related party shall vote to approve the resolution whether the entity is a related party to the particular transaction or not.

The approval of Audit Committee, Board of Directors and Shareholders of the Company for following related party transactions shall not be required:

- a. for transactions entered into between the holding company and its wholly owned subsidiaries whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The

Committee shall consider all of 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 Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

Provided that if any transaction involving an amount not exceeding Rupees one crore is entered into without prior approval of the director, such transaction shall be voidable at the option of the Audit Committee. Further, if the transaction is with a related party to any director, the director concerned shall indemnify any loss incurred by it. Provided further that this clause shall not apply to a transaction other than a transaction referred to in section 188 of the Act between a holding company and a wholly-owned subsidiary company.

9. DISCLOSURES

The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report as per the provisions of the Act and Schedule V of the Listing Regulations, including any amendments made from time to time. The Company shall submit its standalone and consolidated financial results on an half yearly basis, within stipulated timeframe as may be prescribed from time to time, 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, if applicable.

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time.

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

10. AMENDMENT

The Audit Committee may review and amend this Policy, from time to time, subject to approval of the Board. In case of any amendment(s), clarification(s), circular(s) etc. issued by regulatory authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy, subject to the same being in compliance with the applicable laws. Provided that the Board shall review the Policy every three years and update the same accordingly.

This Policy will be communicated to all operational employees and other concerned persons of the Company.