

RELATED PARTY TRANSACTIONS POLICY

PREAMBLE

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 Statutes, 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) Regulation, 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" with reference to the Company means a party as defined in Section 2(76) of the Companies Act or under the applicable Accounting Standards;



“Related Party Transaction” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and include:

- ✓ Sale, purchase or supply of any goods or materials;
- ✓ Selling or otherwise disposing of, or buying property of any kind;
- ✓ Leasing of property of any kind;
- ✓ Availing or rendering of any services;
- ✓ Appointment of any agent for purchase or sale of goods, materials, services or property;
- ✓ Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- ✓ Underwriting the subscription of any securities or derivatives thereof, of the Company;

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”

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI LODR (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% or more of Turnover or Rs.100 Crores, whichever is lower	All transactions (individual or together with previous transactions) with one party exceeding 10% of the annual consolidated turnover.
Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% or more of Networth or Rs.100 Crores, whichever is lower	
Leasing of any kind of property	Exceeding 10% or more of Networth or 10% or more of Turnover or Rs.100 Crores, whichever is lower	
Availing or rendering of any services directly or through appointment of agents	Exceeding 10% or more of Turnover or Rs.50 Crores, whichever is lower	
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	
Transfer of resources, services or obligations.	-	

The Turnover or Net Worth referred in the above table shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

"Relative" means a relative as defined in Section 2(77) of the Companies Act;

"SEBI LODR Regulations" 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, 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.

REQUIREMENT OF APPROVALS FOR DIFFERENT SITUATIONS

I. Simple Related Party Transactions

All transactions of the company with its related parties require prior approval of the Audit Committee of Board of Directors of the Company. Irrespective of the fact, whether such transactions are material or non-material, taking place in the ordinary course of business or not and arm's length transaction or otherwise require the prior approval of the Audit committee.

II. Non-Material Related Party Transactions not taking place in the ordinary course of business and are not arm's length transactions

- Prior approval of the Audit committee
- Approval of the Board of Directors

III. All Material Related Party Transactions

- require prior approval of Audit Committee.
- shall require approval of the Board of Directors.
- shall require approval of the shareholders through Resolution.

All entities / persons falling under the definition of Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

The interested Director shall not be present at the Audit Committee / Board Meeting during the discussions on the Related Party Transaction in which he / she is interested.

IV. Exemptions:

Companies Act:

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.

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.

SEBI (LODR) Regulations:

Any transaction(s) entered into between two Government Companies.

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.

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 un-related 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; and
- ✓ Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company,
- ✓ any other information relevant or important to take a decision on the proposed transaction.

By the Shareholders:

In compliance with the Section 188 of the Companies Act, 2013, 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.

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.

OMNIBUS APPROVAL FOR ROUTINE RELATED PARTY TRANSACTIONS

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to the following conditions:

- ✓ The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy.
- ✓ 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 (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;

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 Rs.1 Crore per transaction and for a maximum period of one year.

- ✓ Audit Committee shall review, at least on a quarterly basis, the details of RPTs 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.

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 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 this policy relating to Related Party Transactions on its website and Annual Report.
- ✓ 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.

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 in to effect.
