



JOYALUKKAS INDIA LIMITED

Policy on materiality of related party transactions and on dealing with related party transactions

[Pursuant to the requirements of Section 188 read with the rules made thereunder, and other applicable provisions of the Companies Act 2013]

Approved by: Board of Directors
Approved on October 18, 2021

1. INTRODUCTION

Related Party Transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. The Board of Directors (“Board”) of ‘Joyalukkas India Limited’ (the Company) understands the importance of stakeholders’ confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of its stakeholders, the Board of the Company, acting upon the recommendation of its Audit Committee (“Committee”), has adopted the following policy and procedures with respect to Related Party Transactions of the Company.

2. OBJECTIVE

The policy has been formulated in due compliance with the requirements of Section 188 read with the rules made thereunder, and other applicable provisions of the Companies Act 2013 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and other applicable laws of the country. Further, as per Regulation 23(1) of the Listing Regulations, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transactions. This policy therefore lays down the mechanism to deal with Related Party Transactions.

3. GENERAL GUIDELINES

- 3.1 This Related Party Transactions Policy must be followed for all transactions that any company enters into with a related party or a transaction which may benefit a Related Party.
- 3.2 This Policy also applies when amending, novating, modifying or terminating an existing contract or agreement or any arrangement between Related Parties.
- 3.3 The value to be ascribed to an amendment or modification of contract which is confirmed as being on ordinary course, arms’ length terms is the change in value of

the contract from the existing contract to the new contract. For other contracts the value to be ascribed would be the total value of the (new) amended contract.

- 3.4 When determining the value of a transaction to which the Policy applies, the total value of all commitments arising pursuant to the transaction (including taxes) should be taken into account. Any conditional or contingent amounts and the terms under which such amounts would become payable should also be indicated.
- 3.5 The Policy may be reviewed by the Board of Directors or the Audit Committee from time to time.
- 3.6 Any changes in the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee and the Board. The Audit Committee / Board will give suitable directions / guidelines to implement the same.

4. DEFENITIONS

“Act” means the Companies Act 2013 and Rules thereunder as amended or modified from time to time.

“Arms’ 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.

“Ordinary course transaction”: A transaction could be considered in “ordinary course of business” if

- Carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
- In connection with the normal business carried out by the Company;
- Historical practice with a pattern of frequency;
- Common Commercial practice;
- Meets any other parameters / criteria as decided by the Board from time to time.

“Material Related Party Transaction” in relation to the Company means a related party transaction which individually or taken together with previous transactions with a related party during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Related Party” in relation to a company means a party related with the Company under the applicable accounting standards or in any of the ways as laid down in section 2(76) of the Act, including:

- A Director or his relative;
- A Key Managerial Person or his relative;
- A firm, in which a director, manager or his relative is a partner;
- A private company in which a director or manager is a member or director;
- A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;
- Any body corporate whose Board of Directors, MD or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager except where such advice, directions or instructions are given in professional capacity;
- Any person on whose advice, directions or instructions a director or manager is accustomed to act except where such advice, directions or instructions are given in professional capacity;
- Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company which it is also a subsidiary;
- Director (other than an independent director) or key managerial personnel of the holding company or his relative shall be deemed to be a related party.

“Related Party transaction” is a transfer of resources, services or obligations between a 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 a group of transactions in a contract, and includes transactions as defined as a “related party transaction” under the relevant provisions of the Act or the Listing Regulations or any other related law, regulation, standard.

Any other term not defined herein shall have the same meaning as defined in the Act, the Securities and Exchange Board of India Act, 1992 , as amended, or rules and regulations made thereunder including the Listing Regulations, the applicable accounting standards or any other relevant legislation/law applicable to the Company or any other applicable laws and regulations.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a. Identification of related parties

The Company shall identify Related Parties as per the definition provided in the applicable laws and regulations, including the Act and the Listing Regulations, as amended from time to time.

The Company shall regularly verify and update the Related Party List and review and confirm (at least once a quarter) in accordance with the applicable laws.

b. Identification of related party transactions

The Company shall identify transactions falling under contracts and arrangements, as per the applicable laws, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as may be applicable.

Any other Related Party Transaction identified during the periodic review not covered under any specific broad category shall be independently reviewed, approved and included for conformance as a part of Related Party Policy mechanism.

The Company shall report the transactions of aforementioned category entered into with related parties identified as per Clause 5(a) of this Policy, and put the same for necessary approvals required as per the applicable law.

c. Procedure for approval of Related Party transactions

For each category of transaction identified as per the Clause 5(b) of this Policy, the Company has framed a specific Policy and Guidelines explaining the arm's length criteria to be followed while entering into transactions falling under contracts and agreements with related parties identified as per Clause 5(a) of this Policy.

While entering into Related Party Transactions, the Company shall ensure adherence with the Policy and Guidelines and maintain necessary documents for the same.

i. Audit Committee Approval

All Related Party Transactions should be referred to the Audit Committee for approval irrespective of its materiality. The Audit Committee shall also approve any subsequent modification of Related Party Transactions. The onus of referring a Related Party Transaction or a potential Related Party Transaction to the Audit Committee shall be on the respective transaction owner.

The Audit Committee shall consider the following while determining approval for a Related Party Transaction:

- Nature of relationship with related party;
- Nature, material terms, monetary values and particulars of the contract or arrangement;
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm's length; and
- Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

Omnibus approval may be obtained from the Audit Committee for certain transactions subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the Listing Regulations including the following:

- The Audit Committee shall lay down the criteria/Policy and Guidelines for granting the 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;
- The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) 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 the 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;

The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given;

Such omnibus approvals shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of such financial year.

ii. Board Approval

As per the provisions of Section 188 of the Act Board approval is required in respect of all categories of transactions specified under clauses (a) to (g), which are not in the ordinary course of business or not at arms' length basis.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis,

but which are as per the Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

iii. Shareholders' approval

Shareholders' approval is required for all transactions with related parties exceeding the materiality thresholds, laid down in Clause 6 of the Policy.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above, all transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for approval.

Further, the Companies (Amendment) Act, 2015 and Regulation 23(5)(b) of the Listing Regulations provide that shareholders' approval need not be sought for transactions between a Company and its wholly owned subsidiary/ies whose accounts are consolidated with the holding company.

d. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee.

The Audit Committee shall consider all of the relevant facts and circumstances regarding the 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 under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional action including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

6. MATERIALITY THRESHOLDS

Materiality threshold for a related party transaction shall be at 10% of the annual consolidated turnover of that company as per last audited financial statements.

7. ORDINARY COURSE OF BUSINESS

The Policy and Guidelines shall provide for determining whether transactions are in the ordinary course of business.

8. DISCLOSURE AND REPORTING

Appropriate disclosures as required under the Act and the Listing Agreement will be made in the Annual Return, Board's Report and to the Stock Exchanges.

- a. Every contract or arrangement, which is required to be approved by the Board/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.
- b. The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
- c. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.
- d. Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of relatives which are regarded as Related Party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.
- e. Each director and key managerial personnel is responsible for providing notice to the Company or audit committee of any potential Related Party Transaction involving him or her or his or her relative, including any additional information about the transaction that the Board/audit committee may reasonably request. Audit committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this policy.

f. Each director and key managerial personnel shall make an annual declaration to the Company in the last month ending before the financial year and this declaration shall be placed before the audit committee and the Board at their first meeting held at the succeeding financial year.

g. Any change in the list of relatives shall be intimated by the directors and key managerial personnel by way of a fresh declaration to the Company.

This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

9. REPORTING OF RELATED PARTY TRANSACTIONS

The Company is required to disclose in its Annual Financial Statements and Directors' Report, certain transactions between the Company and Related Parties as well as Policy relating thereto. The Policy shall also be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

Upon listing, the Company shall submit within 30 days from the date of publication of its 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.