

**POLICY ON  
MATERIALITY OF  
RELATED PARTY  
TRANSACTIONS AND  
ON DEALING WITH  
RELATED PARTY  
TRANSACTIONS**

## **Introduction**

AMD Industries Limited (the "**Company**") recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its shareholders' best interests. Further, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") requires every listed entity to frame a policy on materiality of Related Party Transactions and for dealing with and regulating such transactions. Therefore, this Policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors ("**Board**") in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified by the Audit Committee / Board of Directors / shareholders as per the provisions of the Companies Act, 2013 ("**Companies Act**") and the Listing Regulations, as may be amended from time to time.

## **DEFINITIONS**

For the purposes of this Policy, the following definitions apply:

- 1.1 "**Arm's length transaction**" shall mean a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- 1.2 "**Audit Committee**" means the Committee constituted by the Board of the Company under the applicable provisions of the Companies Act and Listing Regulations.
- 1.3 "**Director**" shall mean a Director appointed to the Board of the Company;
- 1.4 "**Material Related Party Transactions**" shall mean a transaction with a Related Party, if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (Ten Percent) of the annual consolidated turnover of the Company as per the thresholds specified in Schedule XII of Listing Regulations or which is defined as 'Material' under Regulation 23 of the Listing Regulations.

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 the following:

<b>Consolidated Turnover of Listed Entity Threshold</b>	<b>Threshold</b>
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity

(II) More than ₹20,000 Crore to upto ₹ 40,000 Crore	₹ 2,000 Crore + 5% of the annual Consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹ 3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower

Further, 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 percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

1.5 **“Material Modifications”** shall mean: triggering of any of the following conditions whether individually or in aggregate:

- (i) Change in overall transaction value of any previously approved Material Related Party Transaction beyond 10%; or
- (ii) Extension in duration of any previously approved Material Related Party Transaction contract beyond a period of 6 months from the agreed tenure; or
- (iii) Such other criteria as may be prescribed by the Audit Committee on case-to-case basis.

Further, 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 percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

1.6 **“Ordinary Course of Business”** means a transaction if it is: (i) covered in the object clause of the Memorandum of Association of the Company (ii) repetitive / frequent in nature (iii) normal and otherwise routine in the particular business (iv) common in a particular industry (v) in furtherance of business objectives and/ or business purposes of the Company. The above list is indicative, and the Company shall assess each transaction basis its type & nature.

1.7 "**Related Party**" means a related party as defined under Section 2(76) of the Companies Act and Regulation 2(1)(zb) of the Listing Regulations as may be amended from time to time or under the applicable accounting standards, Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares of 10% or more in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, at any time, during the immediately preceding financial year; shall be deemed to be a related party.

1.8 "**Related Party Transaction**" means:

- (i) a transaction between the Company and Related Party which is of the nature specified in clause (a) to (g) of Section 188(1) of the Act; and clause (iv) of sub-section (4) of Section 177 of the Act; and
- (ii) a transaction, except those which have been exempted under the Listing Regulations, involving; a transfer of resources, services or obligations between the parties as specified in Regulation 2(1) (zc) of Listing Regulations, 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.

1.9 "**Relative**" means relative as defined in the Companies Act and rules prescribed there under.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act and the Listing Regulations, as may be amended from time to time, shall have the meaning respectively assigned to them therein.

## **2. PROCEDURES**

2.1 Each of the Directors and Key Managerial Personnel shall provide to the Officers, their respective Related Party list on an annual basis and intimate changes thereon, from time to time.

The names of all Related Parties identified shall be consolidated as a reference list. Further, it shall be duty of every Director and Key Managerial Personnel to forthwith bring to the attention of the Audit Committee/ Board any Related Party Transaction that he or she anticipates/ foresees involving him/her or his/ her relative, including any additional information about the transaction that the Audit

Committee/ Board may request, for being placed before the Audit Committee/ Board.

Additionally, at the end of every financial year, a list of shareholders who at any time during the immediately preceding financial year have held prescribed 10% shareholding, will be prepared for the purpose of identification of Related Party.

- 2.2 The Subsidiary Company(ies), if any, of the Company shall provide list of its Related Party and related party Transactions on quarterly basis and update the same, in case of any change, intimate the same.
- 2.3 The Subsidiary Company(ies), if any, of the Company will ensure that their notice of any potential Related Party Transaction is delivered well in advance to the Company so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.
- 2.4 Prior to entering into any transaction with Related Party, the Officers shall analyze such transaction in consultation with management and with outside counsel, if required, to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction, requiring compliance with this Policy.
- 2.5 Once identified as a Related Party Transaction by the Officer, all such Related Party Transactions shall be reported to the Audit Committee by the Officer, or in the event that the Officer has an interest in the Related Party Transaction, the transaction shall be reported to the Audit Committee by the Managing Director of the Company.
- 2.6 A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall also 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 the thresholds as prescribed under Regulation 23 of the Listing Regulations.

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2.7 The Audit Committee shall be provided with all material facts including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and such other minimum information information as required to be placed before Audit Committee and Shareholders prescribed under the Industry Standards Notes on Related Party Transaction, Listing Regulations and the Companies Act and rules framed thereunder and relevant circulars/ notes issued and amended from time to time in connection with all new, existing or proposed Related Party Transactions, or material modifications proposed to existing Related Party Transactions to be entered into by the Company or its subsidiary.

2.8 The Audit Committee will thereafter determine in all case, except in case of those Related Party Transactions which are exempted for approval of the Audit Committee, whether:

- (i) to approve the Related Party Transaction; or
- (ii) to approve the Related Party Transaction and refer the Related Party Transaction to the Board for its consideration and approval as may be required under the Companies Act or Listing Regulations, or
- (iii) to reject the Related Party Transaction.

2.9 Upon such determination as described in sub-clause (a) above, the Audit Committee shall follow the procedure prescribed below:

- (i) If the Audit Committee approves the Related Party Transaction, it shall recommend all Related Party Transactions, requiring approval of the Board under this Policy or under the Companies Act or any other applicable provisions of law, to the Board. Only those members of the Audit Committee, who are independent directors, shall approve Related Party transactions.
- (ii) Following Related Party Transactions if not in the ordinary course of business of the Company or are in the ordinary course of business but are not on Arm's Length Transactions basis, shall require prior approval of the Board at its duly convened meeting:
  - a) sale, purchase or supply of any goods or materials;
  - b) selling or otherwise disposing of, or buying, property of any kind;

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- c) leasing of property of any kind;
  - d) availing or rendering of any services;
  - e) appointment of any agent for purchase or sale of goods, materials, services or property;
  - f) a Related Party's appointment to any office or place of profit in the Company, its Subsidiary Company or associate company; and,
  - g) underwriting the subscription of any securities or derivatives thereof, of the Company.
- (iii) Further, all Material Related Party Transactions including Material Modifications thereof, except those Related Party Transactions which are exempted for approval of the Board, shall require prior approval of the Board.
- (iv) If the Audit Committee determines the Related Party Transaction to be a transaction requiring Omnibus Approval, it shall record the reasons why the Related Party Transaction is considered for Omnibus Approval.
- (v) If the Audit Committee disapproves a Related Party Transaction, it shall record the reasons for disapproving such Related Party Transaction.
- (vi) The remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms of this policy and Listing Regulations.
- 2.10 In assessing a Related Party Transaction, the Audit Committee / Board shall consider such factors as it deems appropriate, including without limitation:
- (i) The business reasons for the Company to enter into the Related Party Transaction;
  - (ii) The approximate value of the transaction;
  - (iii) The general description of the transaction, including the material terms and commercial reasonableness of the terms of the Related Party Transaction;
  - (iv) Whether the terms and conditions of the Related Party Transactions are on an Arms- length basis.
  - (v) Whether the terms of the Related Party Transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a Related Party;
  - (vi) The materiality of the Related Party Transaction to the

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- Company;
- (vii) The extent of the Related Party's interest in the Related Party Transaction;
  - (viii) The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;
  - (ix) Whether such transaction is in the ordinary course of business.
  - (x) Whether the Related Party Transaction would affect the independence of an independent director;
  - (xi) Such other information or factors as may be required under the Companies Act and/or Listing Regulations.

#### 2.11 Shareholder's approval for Related Party Transactions:

- (i) All Material Related Party Transactions and subsequent Material Modification(s), except in case of those Related Party Transactions which are exempted for approval of the Company's shareholders, can be entered into only after obtaining the prior approval of the Company's shareholders by way of a resolution, as prescribed in the Listing Regulations, and the Related Parties shall abstain from voting in favour of such resolution, irrespective of whether the related party is party to the particular transaction or not.
- (ii) The omnibus approval granted by the shareholders for material related party transactions in an Annual General Meeting (AGM) shall be valid till the date of the next AGM held within the timelines prescribed under Section 96 of the Companies Act or rules, notifications, or circulars issued thereunder from time to time.
- (iii) In case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than AGM, the validity of such omnibus approvals shall not exceed one year from the date of such approval.
- (iv) In addition to the above, all Related Parties Transactions falling under the categories enlisted in clause (a) to (g) of Section 188(1) of the Companies Act are not on an Arm's Length Basis and/or not in the ordinary course of business; and meets the conditions and threshold prescribed in the Companies Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 or any modification(s) therein, shall be placed before the shareholders of the Company for their approval.

For such Related Party Transactions, any shareholder of the

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Company, who/which is a Related Party in the context of the proposed Related Party Transaction, shall abstain from voting. However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

2.12 In case of ratification by the Audit Committee is required, members of the Audit Committee who are Independent Directors may ratify such transaction(s) within three months from the date of the transaction or in the immediate next meeting of the Audit Committee subject to the following conditions:

- (v) Value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year does not exceed Rs. 1 crore;
- (vi) Transaction is not Material in terms of this Policy;
- (vii) Rationale for inability to seek prior approval for the transaction shall be placed before the Committee at the time of seeking ratification;
- (viii) Ratification shall be disclosed along with RPT that is submitted to stock exchanges;
- (ix) Any other condition as specified by the Audit Committee.

Provided that failure to seek ratification of the audit committee shall render the transaction 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 indemnify the listed entity against any loss incurred by it.

The Board, if required under this Policy, may refer such Related Party Transaction to the shareholders of the Company and shareholders may consider whether such transaction should be ratified or rescinded within the prescribed time.

The Board / Audit Committee/ shareholders, as the case may be, shall consider all relevant facts and circumstances respecting such transaction including but not limited to, the reason for not obtaining the prior approval of the Committee/ Board/ Shareholders, as the case may be, relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law and shall evaluate all options available to

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the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee/ Board/ shareholders, as the case may be, deem appropriate under the circumstances.

Related Party Transaction entered into without approval shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the notice of the Audit Committee / Board / shareholders, as the case may be, as promptly as reasonably practical after it is entered into and is ratified as per this Policy.

Failure to seek ratification of the Audit Committee/ Board/ shareholders, as the case may be, shall render the Related Party Transaction voidable at the option of the Audit Committee/ Board/ shareholders, as the case may be, and if such transaction is with a Related Party to any Director, or is authorised by any other Director, the Director(s) concerned shall indemnify the Company against any loss incurred by it.

### **3 OMNIBUS APPROVAL**

3.1 The Audit Committee shall specify the criteria for making the omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiaries, which shall include the following:

- a. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- b. the maximum value per transaction which can be allowed;
- c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- d. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made;
- e. transactions which cannot be subject to the omnibus approval by the Audit Committee.
- f. Any other factor / criteria as may be prescribed under the Companies Act and/or Listing Regulations.

3.2 The Audit Committee shall consider the following factors while granting the omnibus approval, namely:

- a. repetitiveness of the transactions (in past or in future);
- b. justification for the need of omnibus approval.

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- 3.3 The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
- a) The omnibus approval shall contain or indicate the following:
    - name of the related parties;
    - b) nature and duration of the transaction;
    - c) maximum amount of transaction that can be entered into;
    - d) the indicative base price or current contracted price and the formula for variation in the price, if any;
    - e) Justification as to why the Related Party Transaction is in the interest of the Company; and
    - f) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction or as may be prescribed under the Companies Act and/or Listing Regulations.

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.

- 3.4 Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- 3.5 Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- 3.6 Any other conditions as the Audit Committee may deem fit.
- 3.7 Thereafter, the Audit Committee, shall review at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiaries pursuant to each of the omnibus approval given.
- ix. In addition, the Audit Committee/ the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- 4 Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

## 5 EXEMPTIONS

Nothing in this Policy shall apply on Related Party Transactions between the Company and its wholly owned subsidiary or between two

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wholly owned subsidiaries.

**6 DISCLOSURE**

The Related Party Transactions along with the ratified transactions shall be disclosed to such persons and governmental and / or regulatory authorities, in the manner prescribed, if required, under the Companies Act / Listing Regulations. Provided, further, the Company is also required to disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.

**7 REVIEW OF THE POLICY**

The Board shall review the Related Party Transaction Policy from time to time, but at least once in every three years, based on the changing needs and make suitable modifications as may be necessary or as specified in the Listing Regulations.

***In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant 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 hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.***