

INOX India Limited

Policy on Materiality of Related Party Transactions

1. Preface

The Board of Directors (the “Board”) of INOX India Limited (the “Company”) has adopted the following Policy (the “Policy”) to determine Materiality of Related Party Transaction and also dealing with Related Party Transactions.

The Policy has been formulated in order to comply the provisions of the Companies Act, 2013 (“the Act”) and the Rules framed thereunder, as amended from time to time and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”), as amended from time to time.

2. Objective of the Policy

This Policy has been framed to provide the governance framework for Related Party Transactions to be entered into by the Company with the Related Parties and to set out the thresholds for Related Party Transactions.

3. Definitions

- a. “**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.
- b. “**Audit Committee or Committee**” means a Committee of Directors of the Company, as constituted from time to time under Section 177 of the Companies Act, 2013 and read with Regulation 18 of the SEBI LODR Regulations.
- c. “**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.
- d. “**Related Party**” A Party shall be deemed to be a Related Party if it is a Related Party as defined either under the Act or SEBI LODR Regulations, including all the amendments and modifications thereof from time to time.
- e. “**Related Party Transaction/s**” A Transaction shall be deemed to be a Related Party Transaction if it is a Related Party Transaction as defined either under the Act or SEBI LODR Regulations, including all the amendments and modifications thereof from time to time.
- f. “**Material Related Party 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 Rs. 1000 Crore (rupees one thousand crore) or 10% (ten per cent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

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.

- g. “**Material modification/s**” in terms of SEBI LODR Regulations means any modification(s) in the pricing, quantity or overall transaction value having a variance of 25% (twenty five percent) or more, in the relevant previously approved related party transaction or Rs. 10 crore, whichever is higher.

In case a modification is required pursuant to amendment to the applicable laws, it shall not be regarded as a material modification.

Related Party Transactions requiring prior approval of the Shareholders of the Company (Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014):

Contracts or arrangements with respect to the transaction /s with Related Party as defined under Section 188 (1) (a) to (e) of the Companies Act, 2013 shall require prior approval of the Shareholders of the Company if they are as per criteria mentioned below:

- i. sale, purchase or supply of any goods or material directly or through agent, amounting to ten percent or more of the Turnover of the Company as mentioned in clause a) and clause e) respectively of sub-section (1) of Section 188;
- ii. selling or otherwise disposing of or buying property of any kind, directly or through agent amounting to ten percent or more of Net Worth of the Company as mentioned in clause b) and clause e) respectively of sub-section (1) of Section 188;
- iii. leasing of property of any kind amounting to ten percent or more of the Turnover of the Company as mentioned in clause c) of sub-section (1) of Section 188;
- iv. availing or rendering of any services directly or through agent, amounting to ten percent or more of the Turnover of the Company, as mentioned in clause d) and clause e) respectively of Section 188;
- v. appointment to any office or place of profit in the Company or its Subsidiary Company or Associate Company at a monthly remuneration exceeding Rupees Two Lakh Fifty Thousand as mentioned in clause f) of sub-section (1) of Section 188; or
- vi. remuneration for underwriting subscription of any securities or derivatives thereof of the company exceeding one percent of the Net Worth as mentioned in clause g) of sub-section (1) of Section 188;

Explanation

It is clarified that the limits specified in (i) to (iv) shall apply for transaction/s to be entered into either individually or taken together with previous transactions during a Financial Year.

The Turnover and Net Worth referred above shall be on the basis of the Audited Financial Statement of the preceding Financial Year.

4. Procedure for approval of Related Party Transactions

- a. All Related Party Transactions or any subsequent material modifications of such transactions shall require prior approval of the Audit Committee. Further only those members of the audit committee, who are Independent Directors, shall approve related party transaction.

Further 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 consolidated turnover, as per the last audited financial statements of the Company; and with effect from April 1, 2023, 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;

- b. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company for a period not exceeding one year subject to the following conditions:
- The Audit Committee shall lay down the criteria 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 with the need for such omnibus approval keeping in view the interest of the Company;
 - The Audit Committee shall specify in the omnibus approval
 - (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.
 - In case the need for Related Party Transaction cannot be foreseen and the details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crores per transaction.
 - The 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:
- c. All Related Party Transactions which are in Ordinary Course of Business and on arm's length basis shall be placed before the Board to take note of the same, after approval by the Audit Committee.
- d. All Related Party Transactions which are either not in the ordinary course of business or on arm length's basis shall require prior approval of the Board.
- e. All Material Related Party Transactions and its subsequent material modifications (as defined by the audit committee under Regulation 23(2)) shall not be entered into except with the prior

approval of the Board and the Shareholders of the Company by way of Resolution as provided in Section 188 of the Act and Regulation 23 (4) of the SEBI LODR Regulations and no related party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not.

Further the prior approval of the shareholders of the Company shall not be required for a related party transaction to which the Company's subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR Regulations are applicable to such subsidiary.

- f. **Materiality Thresholds:** Regulation 23(1) of the SEBI LODR Regulations requires a company to specify threshold limits for material related party transaction as per which a transaction with a related party shall be considered material if the transaction / transactions to be entered into, either individually or taken together with previous transactions with such related party during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. The Board shall review the limit once every three years and revise the limit of material related party transactions, if required.

5. Transactions which do not require approval:

- a. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval.
- b. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- c. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party including
 - (i) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (ii) the corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding i.e, payment of dividend; subdivision or consolidation of securities; issuance of securities by way of a rights issue or a bonus issue; and buy-back of securities.
- d. Such other transactions as may be provided under the Act or SEBI LODR Regulations from time to time.

6. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or SEBI LODR Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI LODR Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the SEBI LODR Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

7. Communication of this Policy

A copy of this Policy shall be handed over to the Directors of the Company within one month from the date of approval by the Board or Committee, as the case may be. This Policy shall also be posted on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

8. Amendment

Any change in the Policy shall be approved by the Board of Directors of the Company or any committee authorised by the Board. The Board of Directors or such Committee authorised by the Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or such committee authorised by the Board in this respect shall be final and binding. Further the said policy may be reviewed by the by the Board of Directors or any Committee authorised by the Board at regular intervals and updated accordingly.