



Jagan Lamps Limited

Policy on materiality of and dealing with Related Party Transactions

Or

Policy on Related Party Transactions¹

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¹ Revised Policy is approved in Board Meeting held on 14.11.2024



I) Objective:

Related Party Transactions (“RPT”) can present conflicts of interest which may raise question about whether such transactions are consistent with the best interest of the company and its shareholders. In view of the same, SEBI makes it mandatory for a listed entity to formulate a policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions as per Regulation 23 of SEBI (LODR) Regulations, 2015. Accordingly, Jagan Lamps Limited (“JLL” or “The Company”) has framed/revised this Policy on Related Party Transactions (“Policy”).

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions & subsequent modifications thereof,
- (b) the manner of approval of related party transactions pursuant to the provisions of the Act, SEBI (LODR) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.
- (c) to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its related parties, and
- (d) for identification of related parties

II) Legal Provisions:

RPT is governed by the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 of Companies (Meetings of Board and Its Powers) Rules, 2014, IndAS 24, and Regulation 23 of SEBI (LODR) Regulations, 2015. Whereas Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015 deal with disclosure and approval requirements, IND AS 24 deals with disclosure of RPTs in the financial statement.

III) Definitions:

“Arm’s length Transactions” means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Audit Committee” means the audit committee constituted by the Board of



Directors of the Company in accordance with the provisions of section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (LODR) Regulations, 2015.

“Board” means the Board of Directors of Jagan Lamps Limited.

“Key Managerial Personnel” means Key Managerial Personnel as defined under section 203 of the Companies Act and includes:

- (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer.

“Listing Regulations” means SEBI (Listing Obligations and Disclosure Requirements, 2015 and any subsequent amendment thereto.

“Material Related Party Transaction” or “Materiality Threshold” - a transaction with related party shall be considered material only if the transactions(s) exceed the prescribed limit as defined under sub-regulation (1) and (1A) of regulation 23 of the Listing Regulations which are reproduced here:

Material Related Party Transaction means a transaction with a Related Party where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
– *[Proviso to Regulation 23(1)]*

- Provided that a transaction related to brand usage or royalty shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceed five percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company. – *[Regulation 23(1A)]*

Apart from the above, the transactions which exceeds the prescribed limits as given in Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014 shall be considered as deemed material for shareholders approval. The threshold limits under Rule 15(3) are represented here:

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below –

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to ten per cent. 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 appointment of agent, amounting to ten per cent. 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 per cent 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 appointment of agent, amounting to ten per cent., as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Explanation.—It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

“Material Modifications of Related Party Transaction” in relation to the Company means and include any modification to an existing related party transaction having variance of 20% of the existing limit/amount as approved by the Audit Committee / Board / Shareholders, as the case may be.

“Policy” means “Policy on materiality of and dealing with Related Party Transactions” or in other words “Policy of Related Party Transactions” both are same.

“Related Party” as defined in Regulation 2(zb) of Listing Regulations:

Related Party means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Provided that following shall be deemed to be a related party-

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) ~~of twenty per cent or more~~²; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

Section 2(76) of the Companies Act, 2013 and relevant Rules referred above, define 'related party', with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) 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;
- (vi) 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;
- (vii) 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;

- (viii) anybody corporate which is—

² Strikeout means the clause applicable before 01st April, 2023

- (A) a holding, subsidiary or an associate company of such company;
- (B) a subsidiary of a holding company to which it is also a subsidiary;
or
- (C) an investing company or the venture of a company;

Explanation.—For the purpose of this clause, “the investing company or the venture 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.

- (ix) such other person as may be prescribed

INDAS 24 defines "related party" as under:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.



- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity

“Relatives” means as defined under section 2(77) of the Companies Act, 2013 and includes anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) “Father” includes step-father
- (iv) “Mother” includes the step-mother.
- (v) “Son” includes the step-son
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband.
- (ix) “Brother” includes the step-brother
- (x) “Sister” includes the step-sister

“Related Party Transaction” in relation to the Company means a transaction with a Related Party under the relevant provisions of the Act, SEBI (LODR) Regulations, 2015 or any relevant Indian accounting standards, as amended from time to time.

A. **“Related Party Transaction” as per section 188(1) of the Companies Act, 2013** means any contract or arrangement with a related party with respect to-

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (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) such 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

B. “Related Party Transaction” as per Regulations 2(zc) of the Listing Regulations means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

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:

Provided that the following shall not be termed as related party transactions:

- (a) 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;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - (i) payment of dividend;

- (ii) subdivision or consolidation of securities;
- (iii) issuance of securities by way of a rights issue or a bonus issue;
- and
- (iv) buy-back of securities.

- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

“**Subsidiary**” means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Act or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI (LODR) Regulations, 2015, Indian Accounting Standards or any other relevant legislation / law applicable to the Company.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term/ provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

IV) Manner of Dealing and Approval

(a) Approval of Audit Committee:

- (i) All related party transactions [and subsequent material modifications] shall require prior approval of the audit committee. However, no such approval is required for transactions carried out between holding company and its subsidiary company or between the two subsidiary companies.
- (ii) Only those members of the Audit Committee, who are independent directors, shall approve the related party transactions as provided in first proviso of Regulation 23(1) of listing regulations.
- (iii) *If the transactions are entered into by the Company in its ordinary course of business and at the arm length basis, only the Audit Committee*

approval is sufficient.

If the Audit Committee determines that the transactions are not on arm length basis and not in ordinary course of business, or are material in nature or in any case if it deem appropriate for Board approval, may recommend such transactions to the Board for its approval.

Further, if Board determines that any transactions are material then it may recommend such transactions to the Shareholders for their approval.

(iv) The Audit Committee shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

(v) As the Company has no subsidiary, the provisions of clause b, c and d of second proviso to Regulation 23(2) of listing regulations are not part of this policy. The said regulations shall be applicable as provided if there is any holding-subsidiary relationship in future.

Omnibus approval of Audit Committee

The Audit Committee may grant **omnibus approval** for Related Party Transactions proposed to be entered into by the Company and shall ensure that such transactions are repetitive in nature before granting omnibus approval. The Committee shall follow the criteria as provided in clause c of Regulation 23(3) of listing regulations and Rule 6A of the Companies (Meeting of Board and its Powers) Rule, 2014.

Criteria for Omnibus Approval

1. transactions are eligible for omnibus approval if such transactions are repetitive in nature,
2. such approval shall be in the interest of the Company,
3. if the need for a related party transaction cannot be foreseen and the aforesaid details are not available, the audit committee may grant omnibus approval of for such transactions if the value of each transaction does not exceed rupees one crore,
4. omnibus approval shall be valid for a period not exceeding one year and a fresh approval is required after the expiry of one year,

The Audit Committee shall specify the following while granting omnibus approval:



1. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
2. the maximum value per transaction which can be allowed;

Where a transaction is not approved by the Audit Committee, it shall be recommended to the Board for their consideration.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

The Audit Committee shall review the transactions on quarterly basis for which the omnibus approval is granted.

(b) Approval of Board:

All transactions specified under Section 188 of the Companies Act, 2013 shall require approval of the Board of Directors. However, no approval of the Board shall be required for transactions with related parties if such transactions are entered into by the Company in its ordinary course of business and on arm's length basis. In such a case, only approval of Audit Committee is sufficient.

Approval of the Board shall also be required for Related Party Transactions which are intended to be placed before the shareholders for prior approval and such other transactions as referred to the Board by Audit Committee.

In case the transaction(s) is beyond the prescribed threshold as provided in Rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014 and Regulation 23 of Listing Regulations, the Board shall further recommend the same for the prior approval of the Shareholders for their approval on resolution for such transaction(s).

(c) Approval of Shareholders:

Subject to the exceptions provided under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, all material related party transactions and subsequent material modifications thereof shall require prior approval of the shareholders of the Company. No related party with respect to the Company shall vote to approve such resolutions.

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.

Transactions with related parties which are-

1. not in the ordinary course of business or at arm's length basis, and
2. exceeds the ceiling provided under rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014 (as amended) read with Section 188 of the Act

shall require prior approval of shareholders of the Company subject to exceptions provided under the Act.

Whenever threshold for obtaining approval of the Audit Committee, Board or the Shareholders changes with amendment in the Act or SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 or any relaxation is granted in terms of applicability or effective date, then, irrespective of what is stated above, said amended threshold or relaxations become applicable to the Company and the Audit Committee shall be informed.

V) Ratification by Audit Committee [Third proviso of Section 177(4) of the Companies Act, 2013]

In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify the company against any loss incurred by it.

VI) Ratification by Board/Shareholders [Section 188(3) of the Companies Act, 2013]

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

VII) Identification of Related Parties

The Company shall maintain a list of Related Parties in consultation with Managing Director/CEO and Company Secretary of the Company. For this, the Company can seek advisory from the Audit Committee as and when required.

- Each Director and Key Managerial Personnel shall disclose in Form MBP-1, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made, about all the persons, entities in which he or she is interested, whether directly or indirectly.
- Each director and Key Managerial Personnel shall provide declaration, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made of:
 - its relatives
 - firms in which such Director/ Manager or his relative is a partner
 - private companies in which a Director or Manager or his relative is a member or Director
 - public companies in which a Director or Manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
- Audit Committee shall review the above disclosures and list of related parties every year and whenever there is any change in the disclosure for conformity of accuracy.

VIII) Identification of Related Party Transactions

- Each Director, Key Managerial Personnel & Senior Management will be 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.
- Finance or Account Departments will share the related party transactions with Secretarial Department and Managing Director/CEO of the Company after completion of each quarter and half yearly basis for consideration of Board and for disclosure to stock exchange.
- Transactions which are likely to be executed with each related party and estimated value of such transactions before the beginning of each financial



year or well in advance with Compliance Officer to obtain necessary approvals in accordance with this Policy.

IX) Disclosures

- (a)** The Company shall disclose the policy on dealing with Related Party Transactions on its website.
- (b)** The Company shall disclose—
 - web link of this policy, and
 - the Related Party Transactionsin the annual report, as required pursuant to the Schedule V of SEBI (LODR) Regulations, 2015, the Act and Indian Accounting Standards.
- (c)** Further, in accordance with Section 184 of the Companies Act, 2013 and all other applicable provisions, every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.
- (d)** The listed entity shall submit to the stock exchanges, the disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website. Effective April 01, 2023, the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results.

X) Review & Amendment

In terms of Regulation 23 of SEBI (LODR) Regulations, 2015, the Policy on Related Party Transaction shall be reviewed by the Board of Directors at least once in every three years and amend accordingly, if necessary any of the provisions of this Policy, substitute any of the provisions with new provisions or replace this Policy entirely with a new Policy.

In case of any subsequent changes in the provisions of the Companies Act or rules and the SEBI Listing Regulations, which makes any of the provisions in the Policy inconsistent with the Companies Act or such other regulations, such provisions of the Act or such other regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.



This Policy shall be reviewed by the Board at least once in every three years. The Board can from time to time authorize Directors to make changes in the policy due to regulatory or legal requirement and such changes made to be brought to the attention of the Board after the amendments in policy.