

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

V-GUARD INDUSTRIES LIMITED

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1. REGULATORY FRAMEWORK

The Policy on Materiality and Dealing with Related Party Transactions (“Policy”) of V Guard Industries Limited (“Company”) has been prepared and adopted in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and Companies Act, 2013 (“Act”) along with circulars issued thereunder, including any statutory amendments, modifications or re-enactments thereof for the time being in force.

Regulation 23 of SEBI Listing Regulations requires the Company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out the materiality thresholds for related party transactions and the manner of dealing with the transactions between the Company and its related parties based on the applicable laws.

3. DEFINITIONS

- 3.1 **“Audit Committee”** shall mean the Audit Committee constituted by the Board of the Company from time to time, in accordance with the provisions of the Act and Listing Regulations.
- 3.2 **“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.
- 3.3 **“Board of Directors”** or **“Board”** shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Act and Listing Regulations.
- 3.4 **“Key Managerial Personnel”** in relation to the Company shall be as defined under Section 2(51) of the Act, as amended from time to time.
- 3.5 **“Material Related Party Transaction”** 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 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.



Notwithstanding the above, 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- 3.6 **“Material Modification”**; means any modification or amendment to the related party agreement / transaction which is likely to result in a 10% revision in the original contractual value of the related party agreement / transaction approved by the Audit Committee.
- 3.7 **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities.
- 3.8 **“Related Party”** with reference to a Company, shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 and 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015.
- 3.9 **“Related Party Transaction” (RPT)** means –
- a. for the purpose of the Act, specified transaction of the Company with Related Parties, mentioned in clause (a) to (g) of sub-section 1 of Section 188; and
 - b. for the purpose of Listing Regulations, transactions specified in Regulation 2(1)(zc) of the Listing Regulations.
- 3.10 **“Relative”** means relative as defined under sub-section (77) of Section 2 of the Act and Rules prescribed there under.

4. INTIMATION BY THE RELATED PARTIES

Directors shall disclose to the Board, details of all their relatives and the list of entities in which the Director is concerned or interested directly / indirectly, as per the requirements of the Act and Listing Regulations. Any changes in the particulars must be informed promptly to the Board of Directors.

The Directors and Key Managerial Personnel shall inform immediately the Board of any proposed related party transactions as soon as they become aware of it. It is the responsibility of the Director(s) or KMP who are interested in a proposed RPT to inform the Board and obtain approval prior to entering into the transaction. Interested Director(s)/ KMP shall not be present at the meeting during discussions on the subject matter of the resolution(s).



5. DETERMINING WHETHER A TRANSACTION IS IN THE ORDINARY COURSE OF BUSINESS

Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- a. Whether the scope of the transaction is generally consistent with the Company's business activities and/or in furtherance of Company's business and whether the Company enters, or can enter into, similar transactions with a third party.
- b. Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations.
- c. Whether the transaction value is within the reasonable range for similar types of other normal transactions.
- d. Whether the transactions are common in the industry in which Company operates
- e. Resources committed to the activity
- f. Who are the ultimate beneficiaries of such transactions

The above is not exhaustive criteria, and the Company will assess each transaction considering its specific nature and circumstances.

6. DETERMINING WHETHER A TRANSACTION IS AT ARM'S LENGTH

As per section 188(1) of the Act, "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.

The arm's length principle and the transfer pricing methodologies prescribed under the Indian Income-Tax Act, 1961 as well as associated domestic and international guidance is to be referred to determine arm length price relating to all related party transactions



7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

A. AUDIT COMMITTEE

All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are repetitive in nature, proposed to be undertaken by the Company or its subsidiaries, subject to the compliance of conditions contained in Regulation 23 of the Listing Regulations.

Those members of the audit Committee who are independent directors shall only approve the related party transaction.

The agenda of the Audit meeting at which the resolution for a related party transaction/s is proposed to be moved shall at least disclose:

- a. Type, material terms and particulars of the proposed transaction/s;
- b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction.
- e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided)
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
 - a. nature of indebtedness;
 - b. cost of funds; and
 - c. tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;



- j. Any other information that may be relevant.

The prior approval of the audit committee of the Company is required in case of related party transaction to which the subsidiary of the Company is a party, but the Company is not a party 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. BOARD OF DIRECTORS

The approval of the Board is not required for any transactions entered into by the company in its ordinary course of business and on an arm's length basis.

The Company should obtain the approval of the Board for all the transactions specified in section 188 (1) which does not satisfy any of the conditions mentioned above, by following the procedure / provisions as per Section 188 of the Act. Further, all the Material Related Party Transactions as per the Act and Listing Regulations shall be approved by the Board of Directors of the Company.

C. SHAREHOLDERS

All the Material Related Party Transactions and subsequent material modifications as defined shall require prior approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolutions whether the entity is related to the particular transaction or not. All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through a resolution if so required under any law and the Related Party/ies with whom transaction is to be entered into shall abstain from voting on such resolution.

Accordingly, the Company should obtain the prior approval of the shareholders in case of the transactions which exceeds the threshold limit as specified in Section 188(1) of the Act and Rule 15 of Companies (Meetings of Board and its Powers) Rule, 2014 and Listing Regulations and with any amendments made from time to time.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Act, include atleast the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the audit committee as specified in point 7(A) above;
- b. Justification for why the proposed transaction is in the interest of the Company;



- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point 7(A)(f) above;
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

The approval or ratification of the related party transactions by the Audit Committee or Board of Directors or Shareholders, whichever the case maybe, shall be in accordance with the provisions of the Act and Listing Regulations or any amendments thereof from time to time.

8. EXEMPTION FOR APPROVALS

The provision of sub regulation (2), (3) and (4) of Regulation 23 of Listing Regulations as shall not be applicable under the following cases;

- a. transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- c. retail purchases from the Company or its subsidiary(ies) by directors or employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

9. DISCLOSURES

- a. The Company shall submit disclosures of related party transactions in the specified format to the stock exchanges and publish the same on its website as per the relevant regulations.
- b. The company shall disclose this policy under separate section on the website of the Company and a web link shall be disclosed in the Annual Reports.
- c. The Company shall disclose, in the Annual Report, the details of related party transactions as per Schedule V of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.
- d. Such other disclosures as required under the law.



10. REVIEW & AMENDMENT

- a. The Audit Committee shall review statement of significant related party transaction on a quarterly basis. In addition, the details of the related party transaction pursuant to omnibus approval granted to the Company and to its subsidiaries, if any, shall also be reviewed on a quarterly basis.
- b. The said policy should also be reviewed by the Board at least once in every three years.
- c. This policy may be amended or substituted by the Audit Committee or by the Board as and when required and where there are any statutory changes necessitating the change in the policy. Any subsequent notification, circular, guidelines or amendments under Act and Listing Regulations as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this policy.
