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# Policy on Related Party Transactions

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EXIDE INDUSTRIES LIMITED  
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CIN: L31402WB1947PLC014919

## **A. PREAMBLE**

Exide Industries Limited (“EIL”) is dedicated to the highest standard of ethics and integrity and has successfully applied these standards to the business. EIL has always been committed to good corporate governance including matters relating to transactions with related parties. At present, our responsibilities to the investment community demand even greater dedication to these qualities and ethics.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“the Act”) read with the Rules framed thereunder and Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), EIL has formulated guidelines for identification of related parties and proper conduct and documentation of all related party transactions. Also, Regulation 23 of Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, EIL has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

## **B. OBJECTIVE**

This Policy is designed to govern the transparency of approval process and disclosure requirements to ensure fairness in conduct of related party transactions.

The objective of this Policy is to set out: -

- (a) Materiality thresholds for related party transactions; and
- (b) Manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of Listing Regulations and any other laws and regulations as may be applicable to the Company, from time to time.

## **C. DEFINITIONS**

**“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.

**“Audit Committee”** means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of Listing Regulations.

**“Board”** means the Board of Directors of the Company

**“Key Managerial Personnel” (“KMP”)** includes

- I. the Chief Executive Officer or the Managing Director or the Manager;
- II. any Whole-time Director(s);
- III. the Company Secretary;
- IV. the Chief Financial Officer

**“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 which the Company can undertake as per its Memorandum & Articles of Association.

**“Related Party”**, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(zb) of Listing Regulations.

**“Related Party Transaction” means-**

- i. for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- ii. for the purpose of Regulation 23 and defined under Regulation 2(zc) of Listing Regulations, any transaction involving a transfer of resources, services or obligations between:
  - (i) Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand w.e.f. 1<sup>st</sup> April 2022;
  - or
  - (ii) Company 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 Company or any of its subsidiaries, with effect from April 1, 2023;regardless of whether a price is charged.

Provided that the following shall not be a Related Party Transaction:

- (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 Company 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:

A “**transaction**” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

#### **D. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

- i. The Director – Finance & CFO and the Company Secretary shall at all times maintain a data base of the Company’s Related Parties containing names of individuals, firms, private companies, public companies etc., identified on the basis of declarations made by the Directors & KMP from time to time and as per Indian Accounting Standards. The list of Related Parties shall be updated as and when necessary and shall be reviewed on a quarterly basis.

- ii. The List of Related Parties and any amendments thereto will be circulated to the Executive Directors once in every quarter and on any subsequent updates.
- iii. Prior to entering into transactions by the Company with its Related Party or Related Party of its Subsidiary, the concerned Divisional Head of Company will send the details of the draft contract/terms, basis of pricing and other supporting documents to Director-Finance & CFO and the Company Secretary promptly.
- iv. Prior to entering into transactions by the Subsidiary of the Company with its Related Party or Related Party of the Company, the concerned Divisional Head of Subsidiary will send the details of the draft contract/terms, basis of pricing and other supporting documents to Director-Finance & CFO and the Company Secretary promptly.
- v. All Executive Directors of the Company will certify to the Audit Committee as to whether the transactions are being entered into in the ordinary course of business and at arms' length basis without any conflict of interest.

#### **E. MATERIALITY THRESHOLDS**

Regulation 23 of Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. The Listing Regulations has fixed its materiality threshold for the transaction at Rs. 1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company, whichever is lower. However, payments for brand usage/royalty to related party exceeding 5% of consolidated turnover will also be considered as Material Related Party Transaction.

In case of any change in the materiality thresholds by way of amendment in the Listing Regulations the revised thresholds will be applicable automatically.

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#### **F. MATERIAL MODIFICATIONS**

**“Material Modification”** means a subsequent modification of 5% (five) or more in value of transactions with a related party which is already approved as per the Policy, or where it exceeds the materiality threshold under this policy.

## **G. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

### **I. Approval of the Audit Committee**

1. All Related Party Transactions between the Company and its Related Party or the Related Party of its Subsidiary and subsequent Material Modifications will be placed for prior approval of the Audit Committee of the Company.
2. All Related Party Transactions between the Subsidiary of the Company and the Related Party of the Company or Related Party of its Subsidiary and subsequent modifications will be placed for 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 10% of the annual consolidated turnover, as per the last audited financial statements of the Company. (for 01.04.2022 to 31.03.2023).
3. All Related Party Transactions between the Subsidiary of the Company and the Related Party of the Company or Related Party of its Subsidiary and subsequent modifications will be placed for 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 10% of the annual standalone turnover, as per the last audited financial statements of the Subsidiary. (01.04.2023 onwards).
4. Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.
5. Prior approval of the audit committee of the Company shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary. Further, the Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred to in the Regulation 23(2)(c), the prior approval of the Audit Committee of the listed subsidiary shall suffice.

6. The Company shall provide the following information, for review of the audit committee for approval of a proposed Related Party Transaction (RPT):
  - a) Type, material terms and particulars of the proposed transaction;
  - 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;
  - i) Any other information that may be relevant.

7. The Company may obtain omnibus approval from the Audit Committee for Related Party Transactions proposed to be entered into by the Company based on the criteria as approved by the Board of Directors, from time to time, subject to the following conditions:

- i. The Audit Committee shall satisfy itself that the transactions are repetitive in nature and that such approval is in the interest of the Company;
- ii. The omnibus approval shall provide:-
  - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - b) the indicative base price/current contracted price and any probable variation thereto;
  - c) such other conditions as the Audit Committee may deem fit;

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.

- iii) The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given; and
- iv) such omnibus approval shall be valid for a maximum period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

## **II. Approval of the Board of Directors of the Company**

All transactions specified under Section 188 of the Act and which are not in the ordinary course of business or not at an arm's length basis, will be placed before the Board for its approval.



### III. Approval of the Shareholders of the Company

- i. All Material related party transactions and subsequent Material Modification as defined in this policy, meeting the materiality thresholds shall be placed before the shareholders for prior approval.
- ii. The prior approval of the shareholders of Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

Explanation: 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.

- iii. In addition to the requirements under the Companies Act, 2013, the Company shall provide the following information in the notice being sent to the shareholders seeking approval for any proposed RPT as a part of the explanatory statement:
  - a. A summary of the information provided by the management of Company to the audit committee as specified above in clause G(I)(6);
  - 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 as specified in the Audit committee;
  - 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.

- iv. For this purpose, all entities falling under the definition of related parties shall not vote to approve irrespective of whether the entity is a party to the particular transaction or not.
- v. In addition to the above, all transactions specified under Section 188 of the Act which are not in the ordinary course of business or at arm's length basis and exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended, are to be placed before the shareholders for its approval.
- vi. As provided in Regulation 23 of Listing Regulations the requirement for seeking shareholders' approval shall not be applicable to
  - transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders for approval.
  - transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval.

## **H. DISCLOSURES**

- i. The Company shall also disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not on an arm's length basis along with the justification for entering into such transaction.
- ii. In addition to the above, the Company shall also provide details of all Related Party Transactions meeting the Materiality threshold, on a quarterly basis along with the compliance report on Corporate Governance to the stock exchanges.
- iii. The Company shall on half yearly basis submit to Stock exchanges disclosures of Related Party Transactions, within the time and format as may be specified by SEBI from time to time and publish the same on its website.

- iv. The Company shall disclose in the Corporate Governance report, transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results effective from April 01, 2019.
- v. The Company shall disclose in the Corporate Governance report 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount' by the Company and its Subsidiaries.

#### **I. NON-COMPLIANCE OF POLICY**

If a Related Party Transaction is entered into by the Company without being approved under the policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and all options available to the Company including ratification, revision or termination of the 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 the Policy, and take such action as it may deem appropriate.

A related party transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after any Officer/Director of the Company becomes aware of such transaction.

In a case where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee may direct additional actions including, but not limited to immediate discontinuation of the transaction. In connection with such review, the Audit Committee has the authority to modify or waive any procedural requirements of the Policy.

#### **J. AMENDMENTS**

This Policy may be amended, modified or substituted by the Audit Committee subject to the approval of the Board. In case of any amendment to the provisions relating to

related parties in the Act and the Rules made thereunder or the Listing Regulations, this Policy shall stand amended/modified accordingly. However the policy has to be reviewed at least once in every three years.

#### **K. CONFLICT WITH STATUTORY PROVISIONS**

In case of any conflict of any terms of the Policy with the Act and/or the Listing Regulations the provisions of the Act and/or the Listing Regulations shall prevail.

This policy was initially approved by the Board of Directors at its meeting held on 24th February, 2015 and subsequently amended on following dates:

- i. 1st amendment - 21.01.2016 (Ver.2)
- ii. 2nd amendment – 04.02.2019 (Ver.3)
- iii. 3<sup>rd</sup> amendment – 31.01.2022 (Ver. 4)