

POLICY ON RELATED PARTY TRANSACTIONS OF REFEX INDUSTRIES LIMITED

SCOPE

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of Related Party transactions and also a policy on dealing with related party transactions.

To create documented guidelines for regulating transactions of the Company with its related parties as defined by the Policy ensuring the following:

1. Transactions are approved as per the policy.
2. Natures of agreement/Basis of transactions are well established and evidenceable
3. Appropriate disclosure of all transactions applicable

By virtue of its Board of Directors and Audit Committee of Reflex Industries Limited (RIL) has adopted the policy and the procedure to monitor and regulate the Transactions between the Company and Related Parties.

APPLICABILITY

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions. Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as "Related Party Transaction".

The original Policy was approved and adopted by the Board on November 14, 2014.

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DEFINITIONS

“Act” means the Companies Act, 2013

“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

“Key Managerial Personnel” or “KMP” shall have the meaning as defined in the Companies Act 2013 and as amended from time to time

“Material Related Party Transaction” means 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 last audited financial statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “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 Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining the ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

“Regulation 23” means Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time

“Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder

“Related Party” have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended.

“Related Party Transaction” have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or

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obligations between a listed entity and a related party, regardless of whether the 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, including but not limited to the following – a. sale, purchase or supply of any goods or materials; b. selling or otherwise disposing of, or buying a 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. Related party's appointment to any office or place of profit in the company g. underwriting the subscription of any securities or derivatives thereof, of the company

“SEBI Listing Regulations” means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended

MANNER OF DEALING WITH RELATED PARTY TRANSACTION

Identification of Related Parties: The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder and Regulation 2(1)(zb) of the SEBI Listing Regulations.

Identification of Related Party Transactions: The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external expert opinion, if necessary

GUIDELINES FOR IDENTIFICATION:

The Designated Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

Designated Person shall collate the information, coordinate and send the Related Party List to the concerned employees which may include MD, CEO, Business Heads, Branch Heads, the Finance & Accounts Department and Statutory Auditors and who he believes

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might be in the position to conduct or know of the possible conduct of Related Party Transactions.

Functional departmental heads shall submit to the CFO and Company Secretary the details of the proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this note, the Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its upcoming meeting and convey back the decision to the originator.

The suggested list of records and supporting documents is detailed separately in this policy. For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy. In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Related Parties.

REVIEW AND APPROVALS OF RELATED PARTY TRANSACTIONS

AUDIT COMMITTEE

a) Every Related Party Transaction shall be subject to the prior approval of the Audit Committee, whether at a meeting or by resolution or by circulation or any other manner as provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards. Provided that the transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in Listing Regulations and Companies Act, 2013 and Rules made thereunder, as amended from time to time. The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company. If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

b) The Audit Committee shall also review the statement of significant Related Party transactions submitted by management as per its terms of reference.

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c) Any member of the Committee who has a potential interest in any Related Party Transaction shall not remain present at the meeting when such Related Party Transaction is considered.

d) To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions.

e) The Audit Committee shall recommend the Related Party Transactions for approval of the Board of Directors / Shareholders as per terms of this policy.

APPROVAL OF THE BOARD AND THE SHAREHOLDERS

The Board shall approve such Related Party Transactions as are required to be approved under Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee.

1. In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:

a) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;

b) Transactions that are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.

c) Material Related Party Transactions as well as Related Party Transactions requiring shareholders' approval under Section 188 of the Companies Act, 2013 and Rules made thereunder, which are intended to be placed before the shareholders for approval. Where any director is interested in any Related Party Transaction, such director shall not remain present at the meeting when Related Party Transactions is considered. Further, all such Related Party Transactions exceeding the threshold limits prescribed in the Act and the SEBI (Listing Regulation) shall also require prior approval of shareholders of the Company and Related Party/ies shall abstain from voting on such resolution.

2. In Compliance with Listing Regulations, all related party transactions shall require prior approval of the audit committee and all the material Related Party Transactions shall require the approval of shareholders and the Related Party/ies shall abstain from voting on such resolution. Provided that the Material Related Transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval shall

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not require the approval of the shareholders. In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

RULES FOR TRANSACTIONS WITH RELATED PARTIES WHICH ARE IN ORDINARY COURSE OF BUSINESS/ ON ARM'S LENGTH EXCEPT FOR SPECIFIC TRANSACTIONS

Transactions with Related Parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.

The Designated Person shall ensure that details of such transactions are brought to the notice of Chairman & Managing Director and /or any other person so authorized and discussed with the Board at the next following meeting, as may be required.

Transactions being entered into with the Related Parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Designated Person to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

DISCLOSURES

The Company shall 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 at arm's length basis along with the justification for entering into such transaction. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or

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termination of the related party 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 this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy.

REVIEW OF THE POLICY

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and Listing Regulations and must be approved in the manner as may be decided by the Board of Directors.

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