



INDO TECH TRANSFORMERS LIMITED

POLICY ON

RELATED PARTY TRANSACTIONS

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1. INTRODUCTION

Indo Tech Transformers Limited (“Company”) is committed to the adoption of effective and high standards of corporate governance practices. Effective corporate governance practices that enhance corporate accountability are key elements in the working of market discipline and transparency. The Company aims to ensure that all transactions that involve potential related parties or conflicts of interest are determined on a fair, reasonable and consistent basis. The Company recognizes that related party transactions give rise to situations of conflicts of interests and integrally related to overall governance of the Company.

2. PURPOSE AND SCOPE

This policy on Related Party Transactions (“Policy”) is framed pursuant to Section 188 of the Companies Act, 2013 (“**Act**”) and Companies (Meetings of Board and its Powers) Rules, 2014 (“**Rules**”) made there under and In terms of Regulation 23 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of above, this policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee and has been amended from time to time to include the regulatory changes from time to time.

This policy is intended to:

- assist the Audit Committee / Board of the Directors of the Company in reviewing, approving and ratifying related party transactions;
- assist the Company in identifying, documenting and reporting the related party transactions

3. DEFINITIONS

Key Definitions under the Act and Rules Related Party

“**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 is a member or director;
- (v) a public company in which a director or manager is a director or 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) any company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed

Further w.e.f. April 01, 2022,

‘**Related Party**’ as per Regulation 2(zb) of SEBI Listing Regulations shall mean

- (a) Any person or entity forming part of the Promoter or Promoter Group of the listed entity; or
- (b) Any person or any entity shall be deemed to be a Related Party who is holding equity shares in the listed entity either directly or on a beneficial interest as provided under Section 89 of the Companies act, 2013, at any time during the immediate preceding Financial Year:
 - (i) of 20% or more; or
 - (ii) of 10% or more; w.e.f. April 01, 2023;

RELATED PARTY TRANSACTIONS

A. As per Companies Act, 2013

“**related party transactions**”, with reference to Section 188 of the Act, means—

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit in the company, subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company

B. As per SEBI Listing Regulations:

A ‘Related Party Transaction’ means a transfer of resources, services or obligations between a listed entity and a related party, 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.

Explanation: A “transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

However, vide sixth amendment in SEBI (LODR) Regulations, the revised definition of “Related Party Transactions” w.e.f. April 01, 2022, shall be as under:

“Related Party Transaction” 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 **(w.e.f. April 01, 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.

Further, the following class of transactions will not be treated as Related Party Transactions

- (a) Issue of specified securities (i.e., equity shares) on a preferential basis, subject to compliance of the requirements under the SEBI (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) Sub-Division or Consolidation of Securities;
 - (iii) Issuance of Securities by way of a Rights Issue or a Bonus Issue; and
 - (iv) Buy-Back of Securities.

Material Related Party Transaction

“Material Related Party Transactions”, shall mean and include the following:

A. As per SEBI Listing Regulations

If the transaction / transactions to be entered into individually or taken together with previous transactions to be entered individually or to be taken together with previous transactions during a financial year, exceeds 10% of the Annual Consolidated Turnover of the company as per the last audited financial statements of the Company.

B. As per Companies Act, 2013

As per Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, the material Related Party Transactions are as under:

- (i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% 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 10% 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 10% or more of the net worth of the company or 10% or more of 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 10% or more of the turnover of the company, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Arm's Length Transactions ("ALP")

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 (Explanation (b) to Section 188(1)).

Key Managerial Personnel ("KMP")

"key managerial personnel", in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed;

Associate Company

"associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Holding Company

"holding company", in relation to one or more other companies, means a company of which such companies are subsidiary companies;

Subsidiary Company

"subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

4. IDENTIFICATION OF RELATED PARTY

Corporate / Firm / Directors / Key Managerial Personnel (“KMP”) & their Relatives

The Company shall review and identify periodically the associates, subsidiaries, fellow subsidiaries or companies who are related parties under the provisions of Companies Act, 2013 as follows:

- A. based on the group structure;
- B. based on disclosures of other Directorships provided by the Directors and KMP;
- C. based on disclosures of shareholding of Directors;
- D. based on the list of relatives of Directors and KMP provided by the Directors and KMPs.
- E. related parties by virtue of holdings or investments made by the Company in other companies or firms or holdings/ investments made by other Companies in the company.

Data Base of Related Parties

The Company Secretary shall maintain the database of Related Parties and will be responsible for updation of such database at regular interval.

Monitoring of Related Parties through System

All the companies / firms identified as Related Parties, shall be mapped in the existing vendor / customer database in ERP system and such vendor / customer codes will be flagged and have restricted access. New vendor / customer codes will be allowed to be created in the ERP system only after CFO's approval in writing. ERP system will be continuously updated to identify, monitor and generate reports on related party transactions.

5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Section 188 of the Companies Act, 2013 covers the following transactions between the related parties:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company:

The general nature of transactions entered by the Company with its related parties (as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India) are as follows:

- a. Reimbursement of Expat Expenses
- b. Payment of remuneration to Manager

Identification of Potential Related Party Transactions

- (i) Each Director and Key Managerial Personnel shall be responsible for giving notice to the Company about any potential RPTs, where he/she may be interested.
- (ii) In case of any potential RPTs which is being proposed to be entered (including any proposed modifications) by the companies with its Subsidiaries / Associated/ Joint Ventures, the Head of the Subsidiaries and Associates Department shall be responsible to intimate details of such potential RPTs for seeking approval of the Audit Committee of Directors.

6. CRITERIA FOR DETERMINING TRANSACTIONS AT ARMS LENGTH BASIS AND IN THE ORDINARY COURSE OF BUSINESS

Transaction at Arm's Length Basis

To determine the transactions with arm's length basis, following may be considered:

- a. Market analysis, industry trends, business strategies, financial forecasts etc.;
- b. Third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
- c. Management assessment of pricing terms and business justification for the proposed transaction;
- d. Comparative analysis, if any, of other such transactions entered into by the Company with any other non related Companies.

Transaction in the Ordinary Course of Business

While identifying whether the transaction with a related party is in the ordinary course of business or not, following parameters to be evaluated:

- a. Whether the objects clause of Memorandum of the Company permit such activity;
- b. Whether it is a historical practice and there is a pattern of frequency (and not an isolated transaction)
- c. Whether it has a connection with the normal business carried on by the company.
- d. Whether the income, if any, earned from such activity/transaction is assessed as business income in the company's books of accounts and hence is a " business activity" and
- e. Whether it is common commercial practice.

7. DOCUMENTATION

The Company shall maintain all the documents pertaining to the related party transactions along with the approvals obtained for such transactions.

The tentative list of documents to be maintained for related party transactions is as follows:

- a. Details of the related party;
- b. Transaction details;
- c. Contract or agreement entered with the related party;
- d. Certificates from related parties confirming that the prices charged to the Company are similar to those charged by the related party to other third parties;
- e. Copy of Invoices;
- f. Pricing policies;
- g. Any other supporting document for establishing that the transaction is at arm's length basis.

A summary of all the related party transactions to be prepared on a quarterly basis and the same to be reviewed and approved by the CFO of the Company.

8. APPROVAL PROCESS

Audit Committee Approval

A. Companies Act, 2013

Section 177 of the Companies Act, 2013 requires approval of the Audit Committee of transactions of the Company with related parties. The Company shall obtain prior approval for the all the related party transactions from the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following:

1. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy and such approval shall be applicable in respect of repetitive transaction;
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such omnibus approval is in the interest of the Company;

The omnibus approval shall provide details of (a) the name of 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 the formula for variation in price if any (c) such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which can be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1 crore per transaction.

3. The audit committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
4. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

B. As per SEBI Listing Regulations

As per the SEBI Listing Regulations, w.e.f. April 01, 2022, all related Party Transactions [and subsequent material modifications] shall require prior approval of the Audit Committee. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

'Material Modification' in any approved Related Party Transaction shall mean any deviation of 25% or more in any of the condition of the Related Party Transactions which have been pre-approved by the Audit Committee.

The Company shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity 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 listed entity'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 listed entity 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,
 - nature of indebtedness;
 - cost of funds; and
 - 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 listed entity;
- 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.

A summary of such transactions entered to the Audit Committee on a quarterly basis. CFO will be responsible for putting this up for the approval by the Audit Committee

Board 's Approval

If the transactions are below the prescribed limit and are not in the ordinary course of business and/or not at arm's length basis, then the Related Party Transaction would be approved by the Board of Directors. In determining whether a Related Party Transaction should be approved or not, the Board of Directors will take into account, recommendations of the Audit Committee.

Shareholder's Approval

Related Party Transactions where the transactions amount exceeds the following prescribed limits and which are not in the ordinary course of business of the Company and/or are not at the arm's length would be entered into only with the prior approval of the Company by a special resolution.

Category of Transaction	Value of Related Party Transactions for the purpose of first proviso to Section 188(1) of Act
Sale, purchase or supply of any goods or materials;	10% of turnover or Rs. 100 crore, whichever is lower as per last Balance Sheet
Selling or otherwise disposing of, or buying, property of any kind;	10% of net worth or Rs. 100 crore, which ever is lower as per last Balance Sheet
Leasing of property of any kind;	10% of net worth, 10 % of turnover or Rs. 100 crore, whichever is lower as per last Balance Sheet
Availing or rendering of any services	10% of net worth or Rs. 50 crore whichever is lower as per last Balance Sheet
Such Related Party's appointment to any office or place of profit in the Company, its subsidiary or associate Company	At a monthly remuneration exceeding Rs. 2.5 lakhs per month
Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth as per last Balance Sheet

If the amount of transaction (even though at arm's length and in the ordinary course of business) exceeds the limits prescribed for Material Related Party Transactions, then the Audit Committee would bring the same to the notice of the Board of Directors and these transactions would be approved by the Shareholders by Special Resolution.

Information to be provided to shareholders for consideration of RPTs

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the listed entity to the audit committee.
- b. Justification for why the proposed transaction is in the interest of the listed entity;

- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity 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.

9. DISCLOSURES

Details of contracts/arrangements/transactions not on arm's length basis and material contracts/arrangements/transactions shall be disclosed in the Board's report.