



INDO-TECH TRANSFORMERS LIMITED

**POLICY ON MATERIALITY OF RELATED PARTY
TRANSACTION(S) (RPT) AND DEALING OF RPT**

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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 on 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 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) 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;
- (C) an investing company or the venturer of the company;

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

‘Related Party’ as per Regulation 2(zb) of SEBI Listing Regulations 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:

- (a) Any person or entity forming part of the Promoter or Promoter Group of the listed entity; or
- (b) Any person or any entity holding equity shares of 10 % or more 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 shall be a related party.

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:

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 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.
- (c) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

Material Related Party Transaction or Material RPT

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

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 per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Material Modification(s)

“Material Modification(s)” means and include any modification to an existing RPTs, in aggregate with a related party, having variance of 25% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

Ordinary Course of Business

“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. The Board and Audit

Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

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;
- (v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) 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.

Explanation.—For the purposes of this clause,—

- (a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;
- (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;]

Holding Company

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

[Explanation.—For the purposes of this clause, the expression "company" includes any body corporate.]

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—

- Ø controls the composition of the Board of Directors; or

- Ø exercises or controls more than one-half of the total voting power 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.

Industry Standards

“Industry Standards” shall mean the Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)

Materiality Thresholds:

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In any event, if a Related Party Transaction (“RPT”) exceeds the materiality threshold [Defined as Material RPT / Material Modification(s)], prior approval of the shareholders of the Company will be required through an ordinary resolution.

None of the related parties (“RPs”) of the Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the resolution seeking approval of material RPT(s)).

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 maybe 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 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.

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 conditions 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. Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

Pursuant to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 50% of the annual consolidated turnover of the Company as per its last audited financial statements, subject to the transaction(s) exceeding the materiality threshold which require shareholder approval will not be considered for this limit.
- b. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the Policy. Should the value per transaction, through omnibus route, exceed the materiality threshold as defined in the Policy, the same shall be subject to approval of shareholders of the Company.
- c. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
 - i the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
 - ii the indicative base price / current contracted price and the formula for variation in the price, if any;
 - iii Minimum Information to be placed before the Audit Committee as required under the Industry Standards
 - iv such other information/documents/confirmations as the Audit Committee may deem fit from time to time.

Board 's Approval

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

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

Transactions which may be in the ordinary course of business and at arm's length basis, but which are, as per the Policy, determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval; 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;

Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;

Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

Shareholder's Approval

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.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. (RP's can cast only negative vote to reject the shareholders resolution of material RPT).

9. 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 ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, for review of the Audit Committee while seeking prior approval of the RPTs.
- The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, in the Statement to the notice being sent to shareholders seeking their approval for proposed RPTs as applicable.
- The Company shall provide disclosure of the Related Party Transactions to stock exchanges where the Company's securities are listed, in the format as specified by the SEBI/stock exchanges from time to time and within statutory timelines. The Company shall simultaneously upload the disclosure at its website.

10. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

The failure to seek ratification of the audit committee shall render related party transactions

voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the Company against any losses incurred.

11. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and at least once in three years and appropriate recommendations shall be made by the Audit Committee to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

12. COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company, severally, who shall have the power to ask for any information or clarifications from the management in this regard.