



**INDO TECH TRANSFORMERS LIMITED**

**POLICY ON  
RELATED PARTY TRANSACTIONS**

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# 1. Table of Contents

- 1 INTRODUCTION..... 3
- 2 PURPOSE AND SCOPE..... 3
- 3 DEFINITIONS..... 4
- 4 INDENTIFICATION OF RELATED PARTY..... 7
- 5 IDENTIFICATION OF RELATED PARTY TRANSACTIONS..... 8
- 6 CRITERIA FOR DETERMINING TRANSACTIONS AT ARM`S LENGTH..... 9
- 7 DOCUMENTATION..... 10
- 8 APPROVAL PROCESS..... 10
- 9 DISCLOSURES..... 13

## **2. 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.

## **3. 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 Clause 49 of the Listing Agreement. Clause 49 (VII)C of the Listing Agreement 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.

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

## **4. 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

#### **Related Party Transactions**

“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, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company;

### **Material Related Party Transaction**

“Material Related Party Transactions”, will have the same meaning as defined in Clause 49 of the Listing Agreement.

### **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.

## **5. 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.

## **6. 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

## **7. 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.

## **8. 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.

## **9. APPROVAL PROCESS**

### **Audit Committee Approval**

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;

3. 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.

The Company shall follow the following process for taking the approval of the Audit Committee:

- a. Identify and create listing of all related party transactions;
- b. Provide all details of the transactions (Value, Quantity, Tenure etc.);
- c. Provide basis for ascertaining arm`s length nature of the transaction considering quantitative and qualitative aspects;
- d. Provide rationale for final selection of a related party as compared to other alternatives;
- e. Provide monetary limits / thresholds, if relevant, for aggregate value of such transaction to be entered with the related party during the year;
- f. Provide 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.

<b>Category of Transaction</b>	<b>Value of Related Party Transactions for the purpose of first proviso to Section 188(1) of Act</b>
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, whichever 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.

## **10. 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.

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