



TECHNO ELECTRIC & ENGINEERING COMPANY LTD

POLICY ON RELATED PARTY TRANSACTIONS

INTRODUCTION

There may be conflict of interest, potential and/or actual, in related party transactions which may be against the interest of the company and its stakeholders. The Companies Act, 2013 (“**Act**”) read with the Rules framed there under and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014) prescribed for the requirements for approval of certain related party transactions. Considering the aforesaid requirement, **Techno Electric & Engineering Company Limited** (“**Techno**”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Further, a company is required to formulate a policy on materiality of related party transactions and dealing with related party transactions in terms of Clause 49(VII)(C) of the Listing Agreement. Techno has formulated the policy on Related Party Transactions (“**Policy**”) adopted by the Board of Directors on recommendation of the Audit Committee. In future, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

OBJECTIVE OF THE POLICY

The objective of this policy is to regulate transactions between the Company and its Related parties as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

DEFINITIONS

“**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.

“**Associate**” means a company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

“**Body Corporate**” means an entity as defined in Section 2(11) of the Companies Act, 2013.

“**Board**” means the Board of Directors as defined under the Companies Act, 2013.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“**Company**” means Techno Electric & Engineering Co. Ltd.

“**Clause 49**” means the Clause 49 of the Listing Agreement, as entered into by the Company with the stock exchanges including any amendment or modification thereof.

“**Director**” means a person as defined in Section 2(34) of the Companies Act, 2013.

“Employees” shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.

“Material Related Party Transactions” shall mean a transaction as defined as material in Clause 49(VII)(C) of the Listing Agreement or any other law or regulation including any amendment or modification thereof, as may be applicable.

“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.

“Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Clause 49(VII) (B) of the Listing Agreement.

“Related Party Transaction” means –

- for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- for the purpose of Clause 49, any transaction involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

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

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

“Subsidiary” means a company as defined in Section 2(87) of the Companies Act, 2013.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contract Regulation Act or any other applicable law or regulation.

THRESHOLD LIMIT TO DETERMINE MATERIALITY

Clause 49 of the Listing Agreement requires a company to provide thresholds of materiality for transactions beyond which the shareholders’ approval will be required by way of a special resolution. The Company has fixed its threshold limit at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Clause 49(VII)(C) of the Listing Agreement.

DEALING WITH RELATED PARTY TRANSACTIONS

i) Identification of related parties

Techno 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 there under and Clause 49 of the Listing Agreement.

ii) Identification of related party transactions

Techno has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Clause 49 of the Listing Agreement. Techno 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 may seek opinion from experts / professional, if required.

iii) Approval of related party transactions

By the Audit Committee

All related party transactions require prior approval of the Audit Committee.

Omnibus approval

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide -
 - i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - (ii) the indicative base price / current contracted price and the formula for variation in the price, if any; and
 - (iii) such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1.00 crore per transaction;

- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;
- Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

- 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:
- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction; Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum; Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the company.

Approval of the Board

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 and 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 in Audit Committee's view requires Board approval.
- Transactions meeting the thresholds of materiality laid down in the policy, which are intended to be placed before the shareholders for approval.

Approval of the Shareholders

All the transactions with related parties meeting the thresholds of materiality laid down in the Policy, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. Clause 49(VII) (E) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between Techno and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

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

DISCLOSURES

Each Director and KMPs of the Company is responsible for providing declaration/ notice in the prescribed Form to the Company Secretary about Related Party Transaction involving the Company and him or her or an entity wherein he/ she or his / her relative is interested, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary in consultation with the management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

UN-APPROVED RELATED PARTY TRANSACTIONS

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 commencement, the matter shall be reviewed by the Audit Committee. The Audit Committee shall after considering all of the relevant facts and circumstances regarding the related party transaction and after evaluating all options available to the Company, including its ratification, revision or termination. The Audit Committee shall also examine the facts and circumstances that laid to failure of reporting such related party transaction under this Policy and failure of the internal control systems, and shall take any such action as it may think appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without its approval, the Audit Committee may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. The Audit Committee has authority to modify or waive any procedural requirements of this Policy.
