



TECHNO ELECTRIC & ENGINEERING COMPANY LTD

POLICY ON RELATED PARTY TRANSACTIONS

1. 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 thereunder (“**Rules**”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) (“**SEBI (LODR) Regulation**”) 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, in terms of Regulation 23(1) of SEBI (LODR) Regulation, a company is required to formulate a policy on materiality of related party transactions and dealing with related party transactions. 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.

2. OBJECTIVE OF THE POLICY:

The objective of this policy is to set the material threshold for related party transactions, dealing with and regulating the transactions between the Company and its related parties as per requirement of SEBI (LODR) Regulation 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.

3. 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 Indian Accounting Standard.

“**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, including any amendment thereof.

“**Company**” means “Techno Electric & Engineering Company Limited”.

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

“Deemed Related Party” means a Director or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

“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 with a related party shall be considered material if the transaction(s) 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 listed entity.

“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 a related party as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI (LODR) Regulation and/or under the applicable Accounting Standards.

“Related Party Transaction” shall have the same meaning as defined under Regulation 2(1)(zc) of the SEBI (LODR) Regulation that means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, 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) appointment to any office or place of profit in the company underwriting the subscription of any securities or derivatives thereof, of the company

“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.

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

4. MATERIALITY THRESHOLD LIMIT:

Regulation 23 of the SEBI (LODR) Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at **10%** of the annual consolidated turnover of the company as per last audited financial statements for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

5. DEALING WITH RELATED PARTY TRANSACTIONS:

i) Identification of related parties:

Techno shall take necessary steps 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 Regulation 2(1)(zb) of SEBI (LODR) Regulation.

ii) Identification of related party transactions:

Techno shall take necessary steps for identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of SEBI (LODR) Regulation. 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) Procedure for Approval of related party transactions:

A. Approval / Omnibus Approval of Related Party Transactions:

In terms of Rule 6A of Companies (Meetings of Board and its Powers) Rules, 2014 all related party transactions require prior approval of the Audit Committee **AND**

- (1) The audit committee shall, after obtaining the approval of the Board of Directors, lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company and such approval shall include the following:

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

- i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
- ii. The maximum value per transaction which can be allowed;
- iii. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval;

- iv. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - v. transactions which cannot be subject to the omnibus approval by the Audit Committee
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
- i. repetitiveness of the transactions (in past or in future);
 - ii. justification for the need of omnibus approval
- (3) The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- (4) The omnibus approval shall provide details of –
- i. the name/s of the related party, nature and duration of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into,
 - ii. basis of arriving at 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.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees **One Crore** per transaction.

- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (7) Any other conditions as the Audit Committee may deem fit.

Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

- i. Transactions which are not at arm's length or not in the ordinary course of business;
- ii. Transactions which are not repetitive in nature;
- iii. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy

- iv. Transactions in respect of selling or disposing of the undertaking of the company
- v. Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties;
- vi. Any other transaction the Audit Committee may deem not fit for omnibus approval.

B. Approval of the Board of Directors:

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 shall also be placed before the Board for its approval:

- i. 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;
- ii. 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;
- iii. 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;
- iv. Transactions that meets the materiality threshold laid down in the policy, which are intended to be placed before the shareholders for approval.

C. Approval of the Shareholders:

All transactions with related parties exceeding the materiality threshold laid down in the policy shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

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

[Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code,

subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;]

The requirement for seeking shareholders' approval shall not be applicable to transactions entered into between the Company and its wholly owned subsidiary company whose accounts are consolidated with the accounts of the company and placed before the shareholders at the general meeting for approval.

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.

6. 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.

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.

7. 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.

8. REVIEW OF THE POLICY:

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

9. COMPLIANCE RESPONSIBILITY:

Compliance of this Policy shall be the responsibility of the President (Finance) & CFO and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard
