



## ITI LIMITED

### POLICY ON RELATED PARTY TRANSACTIONS

#### 1. PREAMBLE

The Companies Act, 2013 (“the Act”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) as amended from time to time have laid down extensive requirements to be fulfilled in case of Related Party Transactions.

ITI Limited (“The Company”) has adopted this Policy on Related Party Transactions (“RPT Policy” or “Policy”) as required under the Act and Listing Regulations.

#### 2. APPLICABILITY

This policy will be applicable to the Company to regulate transactions between the Company and its Related Parties in compliance with the provisions of the applicable laws, rules and regulations.

#### 3. PURPOSE

This policy is framed as per requirement under Regulation 23 of Listing Regulations and intended to ensure the proper approval and reporting of transactions between the Company and its Related parties.

#### 4. DEFINITIONS

- i. “**Applicable Law**” means the Companies Act, 2013 read with the rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, Department of Public Enterprise Guidelines on Corporate Governance and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
- ii. “**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 as defined in explanation (b) to Section 188 (1) of the Companies Act, 2013.

- iii. **'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 - 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. The expression "joint venture" means a joint arrangement whereby the parties that have joint control of the management have rights to the net assets of the arrangement.

- iv. **"Audit Committee"** means the Audit Committee of the Board constituted from time to time under the provisions of Listing Regulations and Section 177 of the Companies Act, 2013.
- v. **"Board"** means the Board of Directors of ITI Limited ;
- vi. **"Key Managerial Personnel"** means
  - a. The Chief Executive Officer or Managing Director or Manager ;
  - b. The whole-time Director ;
  - c. The Chief Financial officer ;
  - d. The Company Secretary;
  - e. 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
  - f. Such other officer as may be prescribed.
- vii. **"Material Related Party Transaction"**
  - a. means a transaction which individually or taken together with previous transactions during the financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the company'.
  - b. A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- viii. **“Related Party”** means a person or an entity:
  - a. which is a related party under Section 2(76) of the Companies Act, 2013, (**Annexure A**) or
  - b. which is a related party under the applicable Accounting Standards.
- ix. **“Related Party Transaction (RPT)”** means any transaction / contract/arrangement between Company and its Related Party(ies) which falls under Section 188 of the Act or the Listing Regulations (**Annexure B**)
- x. **“Subsidiary Company”** means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.
- xi. **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

## 5. MANNER OF DEALING

### 5.1 IDENTIFICATION OF RELATED PARTIES

To identify and monitor the list of Related Parties and Relatives as per applicable Act, Rules and Regulations, a declaration shall be obtained in the format as at (**Annexure- C**) from the Director / Key Managerial Personnel on appointment to the Board / Company and in the beginning of every financial year.

### 5.2 IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel is responsible for providing notice to the Company, of any potential ‘Related Party Transaction’ involving him or her or his or her Relative(s), including any additional information about the transaction. The written notice may be provided to the Company Secretary.

### 5.3 SUBMISSION TO AUDIT COMMITTEE:

1. Every Functional head as the case may be through respective Functional Director are responsible for placing necessary agenda before the Audit

Committee and / or Board of Directors of all Related party Transactions requiring approvals (including omnibus approval or ratification) in accordance with this policy.

2. These Officials shall also be responsible to place the agenda for review of the Audit Committee on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval obtained under this policy.
3. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
4. After the approval of the Audit Committee and Board, the Company Secretary shall place the agenda to the shareholders for approval, if required.

## **6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION**

### **6.1. By Audit Committee**

1. Every related party transaction shall have prior approval of the Audit Committee.
2. While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company or any other relevant matters.
3. Audit Committee may grant the omnibus approval for RPTs which are repetitive in nature /in the normal course of business of the Company / are on arm's length basis and within the material limits. The omnibus approval where granted shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
4. Omnibus approval shall specify :
  - The name(s) of the relative party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - The indicative base price / current contracted price and the formula for variation in the price, if any and
  - Such other conditions as the Audit Committee may deem fit.

5. In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances or emergent situations, the Audit Committee may ratify the RPT subject to their value not exceeding Rs.1 crore per transaction.
6. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals as duly approved.
7. The Audit Committee shall approve any subsequent modification of transactions with related parties.

## **6.2 By the Board of Directors**

All Related Party Transactions which are not in ordinary course of business or not on arm's length basis but within threshold limits as prescribed under Rule-15 of the Companies (Meetings of Board and its powers) Rules, 2014 (**Annexure D**), and / or such other rules or notification as may be applicable from time to time, shall require the approval of Board of Directors at a meeting of the Board (After approval by the Audit Committee).

## **6.3 By the Shareholders**

### **1. Under the Companies Act, 2013**

All Related Party Transactions which are not in ordinary course of business or not on arm's length basis and beyond threshold limits as prescribed under Rule-15 of the Companies (Meetings of Board and its powers) Rules, 2014 (**Annexure D**), and / or such other rules or notification as may be applicable from time to time, shall require prior approval of the shareholders through resolution (after due approval by Board of Directors)

### **2. Under the Listing Regulations:**

All **Material** related party transaction 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.

All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

**7. Exemption :**

1. Transactions entered into between two Government Companies ;
2. Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

**8. Disclosures :**

1. All documents relating to Related Party Transactions required under applicable laws shall be made accordingly.
2. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for financial results to e stock exchanges and publish the same on its website.
3. Every contract or arrangement entered with Related Parties in terms of the provisions of Section 188 of the Companies Act, 2013, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
4. The Policy on Related Party Transactions is to be uploaded on the Company's website.

**9. Amendment of the Policy :**

The RPT policy shall be subject to review/amendment by the Board at least once in three years and be updated accordingly. Any amendments in the Act or Rules or any applicable law including any clarifications/ circulars of relevant regulator, if mandatory, shall be read in conjunction with this Policy such that the Policy shall automatically reflect the contemporaneous applicable law at the time of its implementation.

## **10. Limitation and Amendment**

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

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**Related Party** as per Section 2(76) of the Companies Act, 2013, 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 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 2 % 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 ;
- (viii) Any body corporate which is -
  - A holding, subsidiary or an associate company of such company or
  - A subsidiary of a holding company to which it is also a subsidiary or
  - 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.

- Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party;
- (ix) Such other person as may be prescribed - a director other than an independent 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.

**“Relative”** means a relative as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 as under:

1. Members of HUF
2. Spouse
3. Father includes step-father
4. Mother includes the step-mother



5. Son includes the step-son
6. Son's wife
7. Daughter
8. Daughter's husband
9. Brother includes the step-brother
10. Sister includes the step-sister

RELATED PARTY TRANSACTIONS

AS PER SECTION 188 OF THE COMPANIES ACT, 2013

Any contract or arrangement by the Company with a related party with respect to

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

For the purposes of the aforementioned transaction contemplated by Section 188 of the Companies Act, 2013, the term “**office or place of profit**” means any office or place:

- For the purposes of the aforementioned transaction contemplated by Section 188 of the Companies Act, 2013, the term “**office or place of profit**” means any office or place:
- where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

AS PER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

A related party “transaction” is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**Explanation:** A “transaction” shall be construed to include single transaction or a group of transactions in a contract

ITI LIMITED

CIN : L32202KA1950GOI000640

**DECLARATION BY DIRECTORS / KEY MANAGERIAL PERSONNEL WITH  
RESPECT TO RELATED PARTY TRANSACTION**

NAME :

POSITION HELD :

Sl No.	Category	Name & Address
1	<u>Relatives</u> a. Members of HUF b. Name of Spouse c. Name of Father including step-father, if any d. Name of Mother including step-mother, if any e. Name(s) of Son including step-son, if any f. Name of Son's Wife g. Name(s) of Daughter h. Name of Daughter's Husband i. Name(s) of Brother including step-brother, if any j. Name(s) of Sister including step-sister, if any	
2	Name(s) of firm, in which a Director, manager or his relative is a partner	
3	Name(s) of private company in which the Director or manager or his relative, is a member or Director	
4	Name(s) of public company in which a Director or manager is a Director and holds along with his relatives, more than 2 % of its paid-up share capital.	
5	Name(s) of 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.	
6	Name(s) of person(s) on whose advice, directions or instructions, not being in a professional capacity, a Director or Manager is accustomed to act.	

**ANNEXURE-D**

**THRESHOLD LIMITS FOR APPROVAL OF SHAREHOLDERS**

Presently, RPTs exceeding the following limits shall be subject to prior approval of the Company :

Sl.No.	Specified RPT(s) U/S 188(1) of the Companies Act, 2013 and rules made thereunder	Threshold limits for approval of Shareholders
(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
(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
(iii)	Leasing of property of any kind	Amounting to 10% or more of the turnover of the Company
(iv)	Availing or rendering of any services directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company
(v)	Appointment of any agent for purchase or sale of goods, materials, services or property	10% or more of the turnover of the Company
(vi)	Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.50 lakhs
(vii)	Underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

**Explanation:**

- Turnover or net worth shall be computed on the basis of the Audit Financial statement of the preceding financial year.