



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

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POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Introduction and Background:

Electrotherm (India) Limited (the “Company” or “EIL”) recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stakeholders' best interests. The Board of Directors (the “Board”) of EIL has adopted the following policy and procedures with regard to related party transactions. The Audit committee review and amend policy from time to time.

2. Scope & Inclusion:

This policy is framed as per the requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI LODR Regulations, 2015”) and in terms of Section 188 of the Companies Act, 2013 (the “Act”) and is intended to ensure proper approval, disclosure and reporting requirements of transactions the Company and its Related parties. This policy sets definition of materiality of related party transactions and dealing with related party transactions.

3. Definitions:

- (i) **“Act”** shall mean the Companies Act, 2013 and the Rules framed thereunder including any modification, clarification, notification, circulars or re-enactments thereof.
- (ii) **“Audit Committee” or “Committee”** means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of SEBI LODR Regulations, 2015 and Section 177 of the Act.
- (iii) **“Arm's Length Basis”** in relation to transaction means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (iv) **“Associate Company”** means any other company, in which that the 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 purpose of this clause – **“significant influence”** means control of at least 20% (twenty per cent) of total voting power, or control of or participation in business decisions under an agreement.

- (v) **“Board of Directors” or “Board”** means the Board of Directors of the Company
- (vi) **“Control”** has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- (vii) **“Key Managerial Personnel” or “KMP”** means Key Managerial Personnel as defined under Section 2(51) the Companies Act, 2013.
- (viii) **“Material Modification(s)”** shall mean and include any modification(s) to in the pricing or overall transaction value of a previous approved related party transaction by the Audit Committee / Board / Shareholders, having a variance of 20% (twenty per cent) or more in the core nature of such transaction.
- (ix) **“Material Related Party Transaction”** in terms of SEBI LODR Regulations, 2015, means a transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 (Rupees One Thousand Crore) or 10% (Ten per cent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- (x) **“Ordinary course of business”** means the usual transactions are entered by the Company to conduct its regular business operations and activities, in furtherance of the Company’s business objectives, and includes all such activities, which the Company can undertake as provided in the Memorandum and the Articles of Association which are necessary for Company’s operations.
- (xi) **“Policy”** means this Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.
- (xii) **“Related Party”** means related party as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI LODR Regulations, 2015 as amended from time to time.
- (xiii) **“Related Party Transaction” or “Transaction”** means a transaction involving a transfer of resources, services or obligations between:

- (i) a Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) a Company 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 Company or any of its subsidiaries, with effect from April 1, 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

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (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. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. bye-back of securities.
- (c) retail purchases from the Company 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.
- (xiv) **“Relative”** means relative as defined under Section 2(77) of the Act, 2013 and Regulation 2(1)(zd) of the SEBI LODR Regulations, 2015 as amended from time to time.

Any other term not defined herein shall have the same meaning as defined in the Act and SEBI LODR Regulations, 2015.

4. Policy:

- 4.1 All related party transactions shall be entered on arms' length basis.
- 4.2 In exceptional circumstances, where permitted by law, related party transactions may deviate from the principle of arm's length, after approval from Audit Committee and the Board of Directors as the case may be.

- 4.3 All related party transactions shall comply with requirements of the Act and SEBI LODR Regulations, 2015 and applicable accounting standards.
- 4.4 All domestic related party transactions shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
- 4.5 All international related party transactions shall comply with International Transfer Pricing Requirement under section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
- 4.6 Approval of Audit Committee shall be taken for related party transactions as required under the Act and SEBI LODR Regulations, 2015.

5. Identification of Related Parties:

Every director shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding changes in the above written notice and their engagement with other entity during the financial year which may be regarded as related party according to this policy.

The Company will identify potential transactions with Related Parties based on written notices of concern or interests received from its Directors / Key Managerial Personnel as well as based on the list of related parties of the subsidiary companies, in the manner prescribed in the Companies Act, 2013 and the rules thereunder and SEBI LODR as amended from time to time.

6. Review and approval of Related Party Transaction:

A. Audit Committee:

- (i) As per Regulation 23 of the SEBI LODR Regulations, 2015 and Section 177 of the Act, all Related Party Transaction and subsequent material modification(s) shall be subject to prior approval of the Committee, whether at a meeting or by way of a resolution by circulation or any other manner as provided by the Act or Rules made thereunder or SEBI LODR Regulations from time to time. Further, all Related Party Transactions and / or subsequent material modification(s) shall be approved only by the Independent Directors who are the members of the Audit Committee.

- (ii) Member of the Audit Committee who has a potential interest in any Related Party Transaction(s) or subsequent material modification(s) will not remain present at the meeting or will abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such transaction is considered.
- (iii) Related Party Transactions to which the subsidiary of the Company is a party but Company is not a party, shall require prior approval of the Audit Committee, if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the consolidated turnover, as per the last audited financial statements of the Company.
- (iv) Further, with effect from April 1, 2023, a Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (v) Prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which the listed subsidiary, if any, is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR Regulations, 2015 are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of the Company, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

- (vi) Remuneration and sitting fees paid by the Company or its subsidiary to its Director, Key Managerial Personnel or Senior Management, except who is part of Promoter or Promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the Listing Regulations.
- (vii) The members of the Audit Committee, who are Independent Directors, may ratify related party transactions as per provisions of the SEBI LODR Regulations, 2015 and applicable industrial standards.
- (viii) While considering the Related Party Transactions, the Audit Committee shall be provided with all the prescribed information / details, as may be applicable, as may be prescribed under the Act and/or SEBI LODR Regulations and applicable industrial standards.

- **STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE AUDIT COMMITTEE**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company or its subsidiary, the Committee may grant standing preapproval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the Related Party Transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding rupees one crore. The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification.

Further, the Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary, pursuant each of the standing pre-approvals / omnibus approvals given.

The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

B. Approval of the Board of Directors:

- (i) If the Audit Committee determines that Related Party Transactions should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transactions, then the Board shall consider and approve the Related Party Transactions at a meeting and the considerations set forth above shall apply to the

Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

- (ii) Further, all Related Party Transactions which are not in ordinary course of business or not at the arm's length basis shall require prior approval of the Board of Directors of the Company. Further, any Director is interested in any transaction with the Related Party, such Directors shall not be present at the meeting during discussion on the subject matter of resolution related to such transaction.

C. Approval of the Shareholders:

(a) Under the SEBI LODR Regulations, 2015:

- (i) All Material Related Party Transactions, and subsequent material modifications as defined by the Audit Committee shall require prior approval of the shareholders through resolution and no Related Party shall vote to approve such resolution, irrespective of whether the entity is a party to the particular Related Party Transaction or not.
- (ii) Prior approval of the shareholders of the Company shall not be required for Related Party Transactions to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of the SEBI LODR Regulations, 2015 are applicable to such listed subsidiary.

Explanation: For Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

- (iii) The requirement for prior approval of the Audit Committee for all Related Party Transactions, Omnibus approval for such Related Party Transaction and prior approval of shareholders for material related party transactions and subsequent material modifications shall not be applicable to the transactions which are entered into between:
 - the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval
 - two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(b) Under the Companies Act, 2013:

- (i) All Related Party Transactions which are not in ordinary course of business or not at the arm's length basis and are exceeding below material thresholds limits shall require prior approval of the shareholders of the Company by way of resolution and no Related Party shall vote to approve such resolution, irrespective of whether the entity is a party to the particular Related Party Transaction or not.
- (ii) Material threshold limits for Related Party Transactions:

Nature of Transactions	Material Threshold Limits
(a) Sale, purchase or supply of any goods or materials directly or through appointment of agents	Amounting to 10% (ten percent) or more of Turnover
(b) Buying, selling or disposing of property of any kind directly or through appointment of agents	Amounting to 10% (ten percent) of Net worth
(c) Leasing of any kind of property	Amounting to 10% (ten percent) or more of Turnover
(d) Availing or rendering of any services directly or through appointment of agents	Amounting to 10% (ten percent) or more of Turnover
(e) Appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company	At monthly remuneration exceeding Rs. 2,50,000/-
(f) Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth

Explanation (1): It is hereby clarified that the limits specified sub clause (a) to (b) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

Explanation (2): The turnover or net worth referred in the above sub-clause (b) shall be computed on the basis of the audited financial statement of the preceding financial year.

- (iii) The requirement of passing the resolution under as mentioned sub-clause (b)(i) above, shall not be applicable for 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.

(c) Additional threshold limits for Related Party Transactions:

Notwithstanding anything contained in sub-clause (a) and (b) above, additional threshold limits for related party transaction(s) which requires prior approval of shareholders by resolution, are as under:

- (i) Sale, purchase or supply of any goods or materials: With regard to sale, purchase or supply of any goods or materials directly or through appointment of agents, a transaction to be entered into individually or taken together with previous transactions during a financial year, with a related party or parties, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, shall require prior approval of the shareholders through resolution.
- (ii) Other than sale, purchase or supply of any goods or materials: A transaction or transactions to be entered into individually or taken together with previous transactions during a financial year, with a related party or parties, other than sale, purchase or supply of any goods or materials directly or through appointment of agents, the Board of Directors of the Company may recommend for further approval of the shareholders through resolution.

Provided that the above requirement for approval of shareholders as mentioned in sub-clause (c)(i) and (ii), are not applicable for transaction(s) entered into between a holding and its wholly owned subsidiary or between wholly owned subsidiary of the Company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

7. Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding Related Party Transaction and shall evaluate the options available to the Company and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Audit Committee may examine the facts and circumstances of the case and take any such action it deems appropriate

8. Disclosure and Reporting requirements of Related Party Transactions:

- (i) The Company shall disclosure the particular of transection with Related Parties referred to in Section 188(1) of the Act. which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- (ii) The Company shall submit to the stock exchanges disclosure of related party transactions in accordance with Regulation 23(9) of the SEBI LODR Regulations, 2015 and also publish the same on its website.
- (iii) Details of all material related party Transactions shall be disclosure quarterly alongwith the compliance report on corporate governance.
- (iv) The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.

9. Review of Policy:

This policy is framed based on the provisions of the Act and rules thereunder and the requirements of the SEBI LODR regulations, 2015.

Further, if there is any inconsistency / contradictions between any provisions in this policy and provisions of the Act or SEBI LODR Regulations, 2015, then the provisions of the Act or SEBI LODR Regulations, 2015, shall prevail over this policy.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in applicable provisions of Act or the SEBI LODR Regulations, 2015 or as may be felt appropriate by the Audit Committee. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors. Provided that this Policy shall be reviewed by the Board of Directors at least once every three years and update accordingly.
