

# HI- TECH WINDING SYSTEMS LIMITED

CIN: L22122GJ1988PLC010503

REG. OFFICE: 08 / GOKUL COMPLEX, OPP. NAGRI HOSPITAL, GUJARAT COLLEGE ROAD,  
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## POLICY ON RELATED PARTY TRANSACTIONS

### **1. Introduction**

The Board of Directors ("Board") of HI-TECH WINDING SYSTEMS LIMITED ("Company") has adopted this Policy ("Policy") upon the recommendation of the Audit Committee and the said Policy includes materiality threshold of Related Party Transactions and dealing with Related Party Transactions.

This Policy has been formulated in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("SEBI LODR Regulations") read with the provisions of Sections 177 and 188 of the Companies Act, 2013 ("Act") and relevant rules made thereunder as amended from time to time to regulate Transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

### **2. Policy Objective**

The Company recognizes that Related Party Transactions ("RPT") may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the best interest of the Company and its shareholders. This policy is framed primarily to ensure the governance and reporting of transactions between the Company and its Related Parties. The policy is also prepared for the identification and regulation of the RPTs keeping in view the provisions of the Act read with the rules made thereunder and SEBI LODR Regulations.

### **3. Definitions**

- a. "Audit Committee" means "Audit Committee" constituted by the Board of Directors of the Company from time to time under the provisions of the Act and SEBI Regulations.
- b. "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.
- c. "Key Managerial Personnel" or "KMP" means "Key Managerial Personnel" as defined under the Companies Act, 2013 and the rules made thereunder.
- d. "Material Related Party Transaction" means the following transactions:

A transaction with a related party, if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or 10% 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 Related Party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

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e. "Material Modifications" shall mean and include any modification to an existing RPTs, in aggregate with a related party, having variance of 20% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

f. "Policy" means this Policy on Related Party Transactions.

g. "Related Party" means a related party as defined under the Act or rules made thereunder and SEBI LODR Regulations.

h. "Related Party Transaction" or "RPT" means such transactions as specified under Section 188 of the Act or rules made thereunder and Regulations 2(zc) and 23 of SEBI LODR Regulations including any amendment or modification thereof, as may be applicable.

i. "Relative" means a relative as defined under the Act and SEBI LODR Regulations.

j. "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 Act, the SEBI LODR Regulations, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

## **4. Policy**

All RPTs must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy, whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder or SEBI LODR Regulations.

### **a) Disclosure by Directors and KMP(s)**

i. Every year, the Directors and KMPs shall provide declaration to the Company Secretary his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals in the format prescribed under the Act.

ii. The declarations will be updated by the Directors/KMPs, in case of any change and intimated to the Company Secretary for placing before the Board of Directors.

iii. Any individual appointed as director or KMP shall provide declaration to the Company Secretary in the prescribed format.

iv. All the subsidiary companies of the Company shall provide list of their Related Party and Related Party Transactions on quarterly basis and update the same, in case of any change and intimate to the Company Secretary of the Company for placing before the Audit Committee.

### **b) Identification of Potential RPTs**

Each Director and KMP is responsible for providing notice to the Company of any potential RPT, if not given already in the first Board Meeting of the financial year, involving him/her or his/her relative, including any additional information about the transaction that the Board/Audit Committee may

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request, for being placed before the Audit Committee/Board. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute an RPT requiring compliance with this policy.

The subsidiary companies of the Company are responsible for providing notice to the Company of any potential RPT, if not given already in the first Board Meeting of the financial year, involving it/them, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee/ Board. The Audit Committee and Board shall record such disclosure and the Audit Committee will determine whether the transaction does, in fact, constitute an RPT requiring compliance with this policy.

The Directors, KMPs and authorized persons of subsidiary companies of the Company will ensure that their notice of any potential RPT is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

## c) Review and Approval of RPTs

### i. Audit Committee

a. All RPTs and subsequent Modifications (unless exempted pursuant to SEBI LODR Regulations and the Act) shall require prior approval of the Audit Committee.

b. Only those members of the Audit Committee, who are the independent directors, shall approve Related Party Transactions.

c. A Related Party Transaction to which the subsidiary of the Company and Related Party of the Company or the Subsidiary 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% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Prior approval of the Audit Committee shall not be required for the transactions between the Company and its wholly owned subsidiary/(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval ("WOS Transactions"). Provided that any of the above Related Party Transaction which is not in the ordinary course of business or not at arm's length shall require a prior approval of the Audit Committee.

d. The Audit Committee may grant omnibus approval for Related Party Transactions considering the repetitive nature of the transactions.

e. The Board of Directors shall lay down the criteria for granting the omnibus approval in line with the policy on RPTs of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.

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f. Such omnibus approvals shall be valid for one financial year. The Audit Committee shall, while granting such omnibus approvals, satisfy itself about the adherence to the criteria so specified by it.;

g. The omnibus approval granted by the Audit Committee shall include the following particulars:

- the name of the Related Parties
- nature and duration of the transaction
- maximum amount of transaction that can be entered into,
- the indicative base price or current contracted price and the formula for variation in the price

if any;

• Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction and/ or as may be prescribed under the Act/ SEBI LODR Regulations.

h. In case of Unforeseen Related Party Transactions, the Audit Committee may grant an omnibus approval for such transactions provided that the value does not exceed Rs.1 crore per transaction in a financial year.

i. The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.

j. The Audit Committee shall review, on a quarterly basis, the details of all Related Party Transactions entered into by the Company.

k. On a quarterly basis, the management shall submit a report to the Audit Committee providing a comparison between the approvals granted and the actual transactions.

ii. Transactions requiring approval of Board:

Following transactions shall require a prior approval of the Board:

- Related Party Transactions which are not in the ordinary course of business or not at arm's length price,
- Material Related Party Transactions including Material Modifications thereto, as defined above, and
- 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.

iii. Transactions requiring approval of Shareholders of the Company:

All the Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders (unless exempted pursuant to SEBI LODR Regulations and Act) irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm's length. No Related Party shall vote to approve such resolution irrespective of whether the entity is a party to a particular transaction or not.

In addition to the above, all kinds of transactions specified under section 188 of the Act which

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(a) are not in the ordinary course of business or are not at arm's length basis; and

(b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for prior approval.

iv. Decision regarding transaction in the ordinary course of business and at arm/s length basis "Ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum and Articles of Association.

The Audit Committee or the Board shall, in respect of the RPTs referred to them for approval and after considering the matter placed before them, shall judge if the transaction is the ordinary course of business and at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, it may seek advice from any outside specialist(s)/ professional(s) from the relevant field in helping them to arrive at a decision.

In case there is still no consensus amongst the Audit Committee Members, the matter then shall be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length basis.

## **5. Review/Amendment(s)**

The Policy would be subject to revision/amendment in accordance with the Laws. The Audit Committee shall review the Policy at least once in three years for making suitable amendments or better implementation of the Policy.

The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy. Any subsequent amendment(s)/ modification(s)/ circular(s)/ clarification(s)/ notification(s) in/under the SEBI LODR Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment thereof, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.

The Board of Directors may review or amend this policy, in whole or in part, from time to time, at least once in every three years, after taking into account the recommendations from the Audit Committee.

## **6. Disclosures**

Appropriate disclosures as required under the Laws shall be made in its Annual Return, Boards' Report and at such other places and to the stock exchanges on which equity shares of the Company are listed and such other authority as may be prescribed under the Laws.