

S&S POWER SWITCHGEAR LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

INTRODUCTION

This Policy is intended to ensure timely identification of a Related Party Transaction (“RPT”), its salient terms and conditions, detail the approval process, outline the disclosure and reporting requirements thereof and to ensure transparency in the conduct of RPT’s, so that there is no conflict of interest. As per the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”), **S & S POWER SWITCH GEAR LIMITED** (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

OBJECTIVE

The objective of this Policy is mainly

- (i) determination of the materiality thresholds for related party transactions and;
- (ii) the manner of dealing with the transactions between the Company and its related parties based on the Act, the Regulations and any other laws and regulations as may be applicable to the Company.

DEFINITIONS

“Act” means the Companies Act, 2013.

“Arm’s length basis” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Associate Company” shall have the same meaning as defined in Section 2(6) of the Companies Act, 2013 and shall mean any company in which the Company has significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a joint venture Company.

“Audit Committee or Committee” means **“Audit Committee”** constituted by the Board of Directors of the Company under Section 177 of the companies Act, 2014 and provisions of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013, from time to time.

Explanation - For the purposes of this clause, **“significant influence”** means Control of at least twenty per cent of total share capital, or of business decisions under an agreement and the expression **“joint venture”** means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

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

“Key Managerial Personnel” or **“KMP”** shall have the meaning as defined in the Companies Act 2013.

“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.

“Policy” means this Related Party Transaction of the Company.

“Related Party” Means a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following

- i. A related party defined under Section 2(76) of the Companies Act, 2013

- ii. A person or a close member of that person's family is related to a company if that person:
 - a) has control or joint control or significant influence over the company; or
 - b) is a key management personnel of the company or of a parent of the company;

- iii. An entity is related to a company if any of the following conditions applies:
 - a) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
 - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - c) Both entities are joint ventures of the same third party; or
 - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - e) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
 - f) The entity is controlled or jointly controlled by a person identified in (1).
 - g) A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or
 - h) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

- iv. Any person or entity belonging to the promoter or promoter group of the company and holding 20% or more of shareholding in the company shall be deemed to be a related party.

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

“Related Party Transaction” (RPT) means:

- (a) for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- (b) for the purpose of Regulation 2 (zc) of SEBI (LODR), Regulations, 2015 transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and
- (c) a transaction with a Related Party including a single transaction or a group of transactions in a contract. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

MATERIALITY THRESHOLDS

Section 188 of Companies Act, 2013 and rules framed thereunder provides that all companies to which the Regulations are applicable must provide materiality thresholds for transactions beyond which the approval of the company by resolution and the prior approval of the audit committee shall be required. The aforesaid regulation provides for a materiality threshold at ten percent (10%) of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of the Regulations.

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 five (5%) percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

the materiality thresholds as prescribed under the Act are as under:

| S.No | Nature of the Transaction | Limits for the time being in force (as |
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| | | per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 |
| I. | Sale, purchases or supply of any goods or materials directly or through appointment of agent | Amounting to 10% or more of Turnover |
| 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 Turnover of the Company |
| V. | Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company | Where monthly remuneration exceeds Rs. 250,000/ |
| VI. | Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company | Amount exceeding 1% of Net Worth of the Company |

*Subject to change as per amendment to the Rules from time to time.

Explanation

- It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

Identification of related parties

Each Director and Key Managerial Personnel shall disclose to the Company, its Related Parties. The Board shall record the disclosure of Interest. Each director and Key Managerial Personnel has the responsibility of providing notice to the Board or Audit Committee of any potential Related Party Transaction involving such Director or KMP or his or her Relative. He/she must also share any additional information about the transaction that the Board/Audit Committee may reasonably require.

Identification of related party transactions

It shall be the duty of the Board or the Audit Committee to determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Company insists that such notice of any potential Related Party Transaction shall be issued within 7 days of such Director/ KMP receiving the knowledge of such Transaction. This will ensure that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction

Procedure for approval of related party transactions

Approval of the Audit Committee

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arm's Length basis, subject to compliance of the conditions contained in Companies Act, 2013.

1. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company. The Audit Committee shall, after

obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval shall provide -

- the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction and maximum value per transaction that can be entered into,
 - the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%)
 - extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - 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;
 - transactions which cannot be subject to the omnibus approval by the Audit Committee.
 - such other conditions as the Audit Committee may deem fit.
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); and (ii) justification for the need of omnibus approval.
 3. 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
 4. Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
 5. In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party.
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
- Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.
- If necessary, the Committee may seek external professional advice in determining whether a transaction is in the ordinary course of business or at arm's length basis.

Approval of the Board of Directors of the Company

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

- (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) (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) (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) (iv) Transactions meeting the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

Approval of the Shareholders of the Company

- All the transactions with related parties meeting the materiality thresholds, laid down in Clause 4 of 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.
- 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.

EXCEPTIONS

Notwithstanding the foregoing, the following Related Party Transactions shall not require specific approval of the Audit Committee:

- a) Any transaction with Wholly owned subsidiaries in the ordinary course of operations.
- b) Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, and in line with the terms of Appointment
- c) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

DISCLOSURES

The particulars of contracts or arrangement with related parties referred in section 188(1) of the Companies Act 2013 should be disclosed in the Directors Report for the financial years commencing on or after April 1, 2014 in Form AOC-2 enclosed as Annexure-I. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY :

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision termination, or seeking of the

approval of the shareholders on the related party transaction. The Committee may examine the facts and circumstances of the case and take any such action it deems appropriate. The Audit Committee also has authority to modify or waive any procedural requirements under this Policy.

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 policy based on the changes that may be brought about due to any regulatory amendments or otherwise. 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.