

ELIN ELECTRONICS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time

1. SCOPE AND OBJECTIVE OF THE POLICY:

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering 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 ("Regulation 23") and as amended from time to time, Elin Electronics Limited (the Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, The Board of Directors (the "Board") of the Company has adopted Related-Party Transactions Policy (this "Policy") to set forth the procedures under which transactions with Related Parties shall be reviewed for approval or ratification in accordance with the procedures set forth below.

2. DEFINITIONS:

1. **"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
2. **"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. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
3. **"Relative"** A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

1. Members of HUF
2. Spouse
3. Father:
Provided that the term "Father" includes step-father.
4. Mother:
Provided that the term "Mother" includes the step-mother.
5. Son:
Provided that the term "Son" includes the step-son.
6. Son's wife
7. Daughter
8. Daughter's husband
9. Brother:
Provided that the term "Brother" includes the step-brother.
10. Sister:
Provided that the term "Sister" includes the step-sister.

4. "Related Party" have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2 of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, which as under:

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a director (other than independent director) or KMP of holding Company or his relative;
- (iv) a firm, in which a director, manager or his relative is a partner;
- (v) a private company in which a director or manager or his relative is a member or director;
- (vi) a public company in which a director or manager is a director and holds with his relatives, more than two per cent of its paid-up share capital;
- (vii) 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;
- (viii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vii) and (viii) shall apply to the advice, directions or instructions given in a professional capacity.

- (ix) any body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary: or
 - (C) an investing Company or the venture 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.¶
- (x) Such other person, as may be prescribed by MCA/SEBI.

Under Regulation 2, an entity shall be considered as related to the company if -

1. such entity is a related party under Section 2 (76) of the Companies Act, 2013; or
2. 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 also be a related party.

5. **“Key Managerial Personnel”** includes

1. The Chief Executive Officer or the Managing Director or the Manager (as defined in Section 2(53) of the Companies Act, 2013);
2. the Company Secretary;
3. the Whole-time Director;
4. the Chief Financial Officer
5. 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.

6. **“Office or place of profit”** means any office or place –

where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

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.

3. TYPE OF TRANSACTIONS COVERED:

a) Under Section 188 of the Companies Act, 2013, the following transactions will be covered -

1. Sale, purchase or supply of any goods or materials;
2. selling or otherwise disposing of, or buying, property of any kind;
3. leasing of property of any kind;
4. availing or rendering of any services;
5. appointment of any agent for purchase or sale of goods, materials, services or property etc.
6. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
7. underwriting the subscription of any securities or derivatives thereof, of the

company.

- b) Under Regulation 2 of the Listing Regulations, following shall be covered:

Transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

A transaction of the Company with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company.

4. **“MATERIAL RELATED PARTY TRANSACTION/ MATERIALITY THRESHOLDS”** Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

All Material Related Party Transactions shall be placed for approval of Shareholders through resolution. The Company has fixed the following materiality threshold for the purposes of the Companies Act, 2013 and SEBI Listing Regulations, 2015:

Category of Transactions	Material Related Party Transactions- Companies Act, 2013	Material Related Party Transactions- SEBI LODR
Sale, purchase or supply of any goods or materials	10% of turnover	1. 10% of annual consolidated turnover of the company as per last audited financial statement 2. Exceeds 5% of the annual consolidated turnover as per last audited financial statement w.r.t brand usage or royalty.
Selling or otherwise disposing of, or buying, property of any kind;	10% of net worth	
Leasing of property of any kind;	10% of turnover	
Availing or rendering of any services;	10% of turnover	
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 2.5 lakh	

Underwriting the subscription of any securities or derivatives thereof, of the company	1% of net worth	
<p>Additional Points:</p> <p>1.Explanation. – It is hereby clarified that the limits specified in sub- clauses (i) to (iv) shall apply for transaction(s) to be entered into either individually or taken together with the previous transactions during a financial year.</p> <p>2.Explanation.- 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.</p> <p>3. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:-</p> <ul style="list-style-type: none"> • name of the related party ; • name of the director or key managerial personnel who is related, if any; • nature of relationship; • nature, material terms, monetary value and particulars of the contract or arrangement; • any other information relevant or important for the members to take a decision on the proposed resolution. 		

The material Related Party Transactions entered between Elin and its wholly owned subsidiaries shall not require prior approval of Shareholders

Related Party Transactions Policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

5. **DEALING WITH RELATED PARTY TRANSACTIONS:** Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee and/or the Board of Directors of the Company in accordance with this Policy. In dealing with Related Party Transactions, the Company will follow the following approach:

a. Details required for ascertaining related party

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs' in form

MBP-1.

2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager or his relative is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Declaration by Holding Company regarding its Directors/ KMPs' and their relatives.
8. Details of 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 of the Company.
9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no.8 & 9 shall apply to the advice, directions or instructions given in a professional capacity.

10. Details of any Company 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.

b. Process for ascertaining related party:

Company Secretary will prepare the list of Related Parties on the basis of aforesaid information. Statutory Auditor to verify the process of ascertaining the Related Parties and their correct recording /listing in register of Contracts/arrangement etc. as per the Section 189 of the Companies Act, 2013 and Rules thereof.

c. Identification of Related Party Transactions:

All Directors, Senior Management Personnel and Key Managerial Personnel are responsible for informing the Company of their interest including interest of their relatives in other Companies, firms or concerns at the beginning of every Financial Year and change in such interest during the year. In addition, all Directors, Senior Management Personnel and KMP's are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will

determine whether the transaction is in the ordinary course of business on an arm's length basis.

6. APPROVAL OF TRANSACTIONS THROUGH AUDIT COMMITTEE:

The threshold limits for Related Party Transactions, if required, will be approved by the Board of Directors upon the recommendation of audit Committee of the Company.

Prior approval of Audit Committee for all Related Party Transactions. However, the Audit Committee may grant an omnibus approval for a period of maximum one year for those proposed related party transactions, which are in ordinary course of business and at arms' length and are repetitive in nature (for e.g. sale/purchase of securities etc), subject to the following conditions

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The proposal to be placed before the Audit Committee should contain following information -

- a. name of the related parties;
- b. nature and duration of the transaction;
- c. maximum amount of transaction that can be entered into;
- d. the indicative base price or current contracted price and the formula for variation in the price, if any; and
- e. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

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.

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.

All transactions entered into above omnibus approval, be put up to the Audit Committee on quarterly basis for its review.

In case of non-repetitive transactions, the agenda of the Audit Committee at which the item is proposed to be moved shall disclose-

- a. the name of the related party and nature of relationship;
- b. the nature, duration of the contract and particulars of the contract or arrangement;
- c. the material terms of the contract or arrangement including the value, if any;
- d. any advance paid or received for the contract or arrangement, if any;
- e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f. whether all factors relevant to the contract have been considered, if not, the details

of factors not considered with the rationale for not considering those factors; and

- g. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- h. Statement of transactions as per the contracts/arrangements.

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

7. APPROVAL OF TRANSACTIONS THROUGH BOARD OF DIRECTORS

Approval of the Board is required:

- 1. for all contracts/arrangements/transactions which are not on arm's length basis or are not in ordinary course of business;
- 2. for all "material" related party transactions.

These have to be approved by the shareholders through resolution; therefore they should first be approved by the Board and no related party shall vote to approve on such resolutions.

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- (h) statement of transactions as per the contracts /arrangements.

Where any director is interested in any contract or arrangement with a related party, such director should not be present at the meeting during discussions on the agenda item relating to such contract or arrangement.

8. DISCLOSURE

- Details of contract(s) or arrangement(s) have to be disclosed in the Board's Report along with the justification as per Form AOC-2. (Place the said form before Audit Committee for its review and then to the Board as part of Directors' report for approval)
- Company shall keep a register in Form MBP - 4 [Pursuant to Section 189(1) and rule 16(1)] giving the particulars of all contracts or arrangements in such manner and containing particulars and after entering the particulars, the same shall be authenticated by the CFO and the Company Secretary of the Company and thereafter the same shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.
- Necessary disclosures be made in the Annual Financial Statements as required under IndAS 24, the Listing Regulations and RBI guidelines. The Annual Report shall contain additional Disclosure as required under part A of Schedule V of the Listing Regulations. Further, as required under para C (10) of Schedule V of the Listing Regulations disclosures on materially significant related party transactions, which may have potential conflict with the interests of the Company at large, be also given in 'Report on Corporate Governance' section in Annual Report.
- The following disclosures shall be made in the Compliance Report on Corporate Governance:
 - (a) On quarterly basis
 - 1) Whether prior approval of Audit Committee obtained
 - 2) Whether shareholders approval obtained for material RPT
 - 3) Whether details of RPT entered into pursuant to omnibus approval have been reviewed by Audit Committee.
 - On Half Yearly basis

The Company shall submit within 30 days 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 prescribed in the relevant accounting standards for annual results, to the stock exchanges and publish the same on its website in accordance with the regulatory framework as amended from time to time.

- On Annual basis
 - 1) Policy on dealing with related party transactions
 - 2) Prior or Omnibus approval of Audit Committee for all related party transactions
 - 3) Approval for material related party transactions

- The Company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.

9. **REVIEW OF RELATED PARTY TRANSACTION POLICY**

The Policy shall be reviewed atleast once in every three years and updated accordingly.

For Eln Electronics Limited


Authorised Signatory/Director