

RELATED PARTY TRANSACTIONS POLICY

OF

THE HI-TECH GEARS LIMITED

(CIN: L29130HR1986PLC081555)

[Updated as per Companies Act, 2013 and SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 and amendments thereto]

RELATED PARTY TRANSACTIONS POLICY

Preface

The Company is committed to uphold the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the related parties, Directors, Senior Management etc. with the interest of the Company.

Section 188 of the Companies Act 2013 (the "Act") read with its Rules made there under and any subsequent amendments thereto, provides for the formulation of a policy on Related Party Transactions ('RPT'). Further regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulations") mandates company to formulate a policy on materiality of RPT and on dealing with RPT including clear threshold limits duly approved by the Board of Directors. The Regulations further provides that such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

Accordingly, the Board of Directors (the "Board") in consultation with the Audit Committee of The Hi-Tech Gears Limited (the "Company" or "THGL"), amend the policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance of the above provisions, as amended from time in order to ensure the transparency and procedural fairness of such transactions.

1. Objective

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its Stakeholders.

Further, provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons. Keeping in view the legal as well as commercial requirements, the Board may amend this policy from time to time as may be required.

2. Transactions Covered by this Policy

Transactions covered by this policy include any contract or arrangement with a related party with respect to transactions defined hereunder as "Related Party Transaction".

Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and on an arm's length basis shall not require any approval of the Audit Committee/ Board of Directors and Shareholders (wherever required) of the Company except in the case of Specific Transactions, which shall be subject to prior approval of the Audit Committee.

Provided further that, any transaction entered into by the Company with Related Party in its ordinary course of business and on an arm's length basis, except Specific Transactions for which proper procedure shall be followed as provided under this Policy, shall be periodically disclosed to the Board.

Definitions

- 1) "Act" means the Companies Act, 2013 and amendments thereof.
- 2) "Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Act and Regulations.
- 3) "Associate Company", shall have the same meaning as defined under the provisions of the Act.
- 4) "Board" means the Board of Directors of the Company.
- 5) "Company" means The Hi-Tech Gears Limited.
- 6) "Control" shall have the same meaning as defined under the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
- 7) "Director" means a person defined in Section 2(34) of Companies Act, 2013.
- 8) "Employee" shall mean the permanent employees & office-bearer of the Company, including but not limited to Company Whole Time Directors.
- 9) 'Key Managerial Personnel' (KMP) means-
 - (i) the Chief Executive Officer or the Managing Director or the manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-Time Director;
 - (iv) the Chief Financial Officer;
 - (v) Such other officer as may be prescribed, under Section 2(51) read with Section 203 of the Companies Act, 2013 & Rules made thereunder.
- 10) "Material transactions" a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower or as altered from time to time or applied in pursuance of the Companies Act, 2013, Listing Regulation or any other applicable Laws.
- 11) "Significant Material Modification" to the related party transactions shall mean an increase beyond 15% on the overall approved existing limit with the Related Party.

12) "Office or place of profit" means any office or place—

- a. 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;
- b. 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;

13) "Policy" or "the Policy" means Related Party Transaction Policy.

14) "Related Party" means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, rules prescribed thereunder and Regulation 2(1)(zb) of Listing Regulations, including the following effective 1.4.2022 :

(a) any person or entity forming a part of the promoter or promoter group of the company;
or

(b) any person or any entity, holding equity shares:

(i) of 20% or more; or

(ii) of 10% or more, with effect from April 1, 2023

in the company either directly or on a beneficial interest basis as provided under section 89 of Act at any time, during the immediate preceding financial year.

15) "Relatives" means persons as defined under Section 2(77) of the Companies Act, 2013 read with rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the applicable accounting standards, as amended from time to time.

16) "Related Party Transactions" means transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

As per Section 188 of the Act read with rules made thereunder:

- a) Sale, purchase or supply of any goods or materials;
- b) Selling or otherwise disposing of, or buying, property of any kind;
- c) Leasing of property of any kind;
- d) Availing or rendering of any services;
- e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- f) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- g) Underwriting the subscription of any securities or derivatives thereof, of the Company;

As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Related Party Transactions means a transaction involving transfer of resources, services or obligations between

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity 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 listed entity 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.

The above definition stand amended/ altered upon change in the definition as per the change in the respective regulations

17) “Transactions on 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.

Unless the content otherwise requires, words or expression contained in this policy shall bear the same meaning as in the Act, SEBI (Listing Obligation and Disclosures Requirements) Regulation, 2015 and other SEBI Regulations, as may be applicable or any statutory modifications/ amendments or re-enactment thereof in force in case of conflict, order of preference will be the same as mentioned above.

3. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Board/ Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/ the Board has adequate time to obtain and review information about the proposed transaction.

4.2 Prohibitions related to Related Party Transactions

A. All Related Party Transactions shall require prior approval of Audit Committee.

However, the Audit Committee may grant Omnibus approval for Related Party Transactions proposed to be entered into by the Company. Such Omnibus approval be valid for a period not exceeding one year & shall require fresh approvals after the expiry of one year.

In providing such omnibus approval, Audit Committee shall satisfy the need for such approval on the basic of below criteria.

- I. Examining the present situation & taking stock the need of such transaction.
- II. The name(s) of the Related Party, nature & particulars of transaction, period of transaction, maximum amount of transaction, material term & its relationship.
- III. Indicative transaction value, within which each & all transaction with each Related Party to be entered vis a vis the percentage of consolidated turnover of Company.
- IV. Formula for variation in the price, if any.
- V. Sources of funds, nature of indebtedness, cost of fund, interest present covenants, purpose of the funds to be utilized by beneficiary etc in case the transaction is related to loan, advances, ICDs made to related party, including to its subsidiary companies.
- VI. Such other conditions as the Audit Committee may deem fit pursuant to Regulation & Act's requirement, as may be amended from time to time.

In providing the omnibus approval for the first year & subsequent year necessary Regulations, Circulars/ Notifications of Ministry of Corporate Affairs, SEBI & other Authorities to be taken care.

The Board to give its approval based on the recommendation of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

B. All material Related Party Transactions shall require approval of Shareholders

'Material Related Party Transactions' has the same meaning as provided in Companies Act, 2013 and/ or SEBI Listing Regulations.

All material related party transactions and subsequent material modification shall require prior approval of the shareholders through resolution.

The notice to shareholders shall follow the requirement of Companies Act, 2013 and SEBI Listing Regulations.

4.3 Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will rescue himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the 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 Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction 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 Transaction, then 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.

All related party transactions and subsequent material transactions shall be approved by the independent Directors. The Whole Time Directors/ Non-Executive Director (s) on the Committee to abstain from such approval process.

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

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

- ii. 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.
- iii. Any transaction involving with Related Party to advice, directions or instructions in pure professional capacity, if allowed by the Laws, Rules & Regulations.
- iv. Transactions between Company and its Wholly Owned Subsidiary Company (ies) including the step down subsidiary company (ies) or transaction between wholly owned subsidiary Companies as per Regulation 23 (5) of SEBI (LODR) Regulations 2015.

4.4 MATERIALITY THRESHOLDS

In accordance with Regulation 23 of Listing Regulations, the Company has formulated this Policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

A transaction with a related party shall be considered material if the transactions to be entered individually or taken together with previous transactions during a financial year, exceeds Rs.1000 crores or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower ("Material Related Party Transaction")

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, exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements.

Related Party Transaction 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.

4. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the 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 or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

5. **Exemptions**

Nothing contained in this policy shall apply to any contract or arrangement—

- a) entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.
- b) between the Company and any other partner of the firm in which Director/ Manager/ Relative is a partner.
- c) service availed in a professional capacity from body corporate/ person.
- d) The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company:
 - (i) Receipt of remuneration by way of sitting fees;
 - (ii) Re-imbursement of expenses for attending board and other meetings;
 - (iii) Any profit related commission as approved by members.
 - (iv) Remuneration to WTDs and KMPs as approved by Board / Committee or Shareholders, as the case may be.

The above exemptions are strictly subject to the provisions of Companies Act, 2013 and Listing Regulations. In case of conflict, if any, the Companies Act, 2013 & Listing Regulations will prevail.

6. **Consequences of non-compliance of such policy for any Related party transaction**

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the interested director or employee. Details of such disciplinary proceedings will form part of the personal life of such person and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under Companies Act, Listing Agreement, Securities Contract Regulation Act, 1956 or the Employee Standing order of the Company.

7. **Miscellaneous**

- 1) In case of any inconsistency or conflict between or among the other code or policy with regard to transactions in respect of Related Party, this policy will prevail.
- 2) The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/ taken note of before the meeting of the Board of directors/ Audit Committee, as the case may be.
- 3) Not to keep the documents of Related Part Transaction unattended & maintain confidentiality of all matters under this policy.
- 4) In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy or the

relevant law, then such amendment(s), clarification(s), circular(s) etc. or law shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Incorporated on : **August 06, 2014**
Effective from : **August 07, 2014**

Amended and Effective From : **April 01, 2019**

Next Reviewed by Audit Committee: **February 09, 2022**

Amended & Effective from : **April 01, 2022**

Amended & Effective from : **November 07, 2022**