

## POLICY ON RELATED PARTY TRANSACTION

### SCOPE OF THE POLICY

This Related Party Transactions Policy is for determining the materiality of Related Party Transactions and also about dealing with Related Party Transactions. This policy is prepared in accordance with the requirement of Listing Agreement, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") and Companies Act, 2013 and relevant rules made thereunder; as amended from time to time.

This policy shall regulate the transactions between the Company and its related parties as per the requirements and disclosures under the applicable laws, rules and regulations.

### PURPOSE OF THE POLICY

Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges mandates that all listed companies formulate their policy on materiality of related party transactions and also on dealing with Related Party Transactions, to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Company is required to make various disclosures of its related party transactions before the Board /shareholders, as the case may be, and also disclose the same as required, in its Board Report, Financial Statements or any other documents as provided under law, on an annual basis and in the compliance report to be sent to the stock exchanges on quarterly basis. This Policy is also prepared for the identification and regulation of the Related Party Transactions keeping in view the provisions of the Companies Act, 2013 and rules thereunder.

### DEFINITIONS

- **Act:** means Companies Act, 2013;
- **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;
- **Board:** means the Board of Directors of Veto Switchgears and Cables Limited;
- **Committee:** means the Audit Committee as defined under the Companies Act, 2013 and the Listing Agreement;
- **Company:** means Veto Switchgears and Cables Limited;
- **Material Related Party Transaction:** means 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 ten percent of the annual consolidated turnover as per the last audited financial statements of the Company;
- **Related Party Transaction:** means a contract or arrangement or transaction of the Company with a Related Party under the relevant provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement as amended from time to time;

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- **Related Party:** means an entity related to the Company where:
  - I. Such entity is a related party Section 2(76) of the Companies Act, 2013; or
  - II. Such entity is a related party under the applicable accountings standards;
- **Relative:** means relative as defined under the Companies Act, 2013. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:
  - i. They are members of a Hindu undivided family;
  - ii. They are husband and wife; or
  - iii. Father (including step-father);
  - iv. Mother (including step-mother)
  - v. Son (including step-son)
  - vi. Son's Wife
  - vii. Daughter
  - viii. Daughter's husband
  - ix. Brother (including step-brother)
  - x. Sister (including step-sister)
- **Transaction(s):** means a transaction(s) with a related party shall be construed to include single transaction or a group of transactions in a contract/arrangement;

### **MATERIALITY THRESHOLDS**

Clause 49 of the Listing Agreement requires a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Clause 49 (VII) (C) of the Listing Agreement.

### **MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

#### **a) Identification of related parties**

Veto Switchgears and Cables Limited has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Clause 49 of the Listing Agreement.

#### **b) Identification of related party transaction**

In terms of Companies Act, 2013, the transactions which shall be considered as Related Party Transactions, if entered into between the Company and its Related Party are any contracts or arrangements that the Company enters into with a Related Party with respect to as prescribed in Section 188 of the Companies Act, 2013:

- 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.
- Any other transaction wherein transfer of resources, services or obligations is taking Place with a related party, regardless of whether a price is charged as per the Listing Agreement.



c) **Procedure for approval of related party transactions**

- Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee

Omnibus Approval

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- The omnibus approval shall provide-
  - i. The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - ii. The indicative base price/current contracted price and the formula for variation in the price if any and
  - iii. Such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction.

- Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

In determining whether to approve a Related Party Transaction, the Committee will consider the following facts, among others to the extent relevant to the Related Party Transaction:

- a) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
- b) 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;
- c) Whether the nature of proposed transaction is something that the Company would have ordinarily done in the course of its business;
- d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e) 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
- f) Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.

- 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:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per 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;
  - Transactions in respect of which the Audit Committee is unable to determine whether or not they are in ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
  - Transactions which are in ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board Approval.
- Approval of the Shareholders of the Company
    - a) In terms of the companies Act, 2013, all Related Party Transactions in the Company, which are not in ordinary course of Business and/or not at arm's length price shall require prior approval of the Shareholders by way of Special Resolution **except** pursuant to Companies (Meetings of Board and its Powers) Rules, 2014, as contracts or arrangements with respect to Clause (a) to (e) of Sub-section (1) of Section 188 of the Companies Act, 2013 as mentioned below:
      - i. Sale, purchase and supply of any goods or materials, directly or through appointment of agent, exceeding 10% of the turnover of the Company or Rs. 100 crores whichever is lower, as mentioned in clause (a) and Clause (e) respectively of sub-section (1) of Section 188;
      - ii. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent exceeding 10% of net worth of the Company or Rs.100 Crores, whichever is lower, as mentioned in clause (b) and (e) respectively of Sub-section (1) of Section 188;
      - iii. Leasing of property of any kind exceeding 10% of net worth of the Company or 10% of the turnover of the Company or Rs. 100 Crores, Whichever is lower, as mentioned in Clause (c) of Sub-section (1) of Section 188;
      - iv. Availing or rendering of any services, directly or through appointment of agent, exceeding 10% of the turnover of the Company or Rs.50 Crores, whichever is lower, as mentioned in clause (d) and clause (e) respectively of Sub-section (1) of Section 188:  
Explanation- It is hereby clarified that the limits specified in sub- clauses (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.
    - b) In terms of Clause 49 of the Listing Agreement, all Material Related Party Transactions shall require the approval of the Shareholders.

The Explanatory Statement to be annexed to the notice of a General Meeting convened for the purpose of approving such related party transactions shall include the following particulars:

1. Name of the related party;
2. Name of the director or key managerial personnel who is related, if any;



3. Nature of relationship;
4. Nature, material terms, monetary value & particulars of the contract or arrangement;
5. Any other information relevant or important for the members to take a decision on the proposed resolution.

### **DISCLOSURE**

1. Every Contract or arrangement entered into under section 188 of the Companies Act, 2013 shall be referred to in the Board Report to the shareholders alongwith the justification of entering into such contract or arrangement.
2. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. The Company shall disclose the policy on dealing with Related Party Transactions on its website and/or in the Annual Report.

### **AMENDMENT TO THE POLICY**

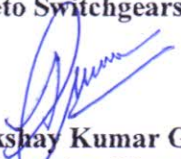
1. This policy is constituted under the provisions of said Act & Rules. Any dispute between the contents policy and Act & Rules, the provisions of Act & Rules will be made applicable to the matter. This policy shall stand amended in accordance with the amendments in the said Act & Rules from time to time.
2. Any amendment to this policy will be in writing.

### **UPDATED**

This Related Party Transaction Policy is updated by the Board of Directors of the Company at its meeting held on November 9, 2015.

**For and on Behalf of**

**Veto Switchgears and Cables Limited**

  
**Akshay Kumar Gurnani**  
**(Managing Director)**  
**(DIN: 06888193)**