



SHETRON LIMITED

THE NAME BEHIND THE NAMES

**RELATED PARTY TRANSACTION
POLICY**

(Approved on Board Meeting dated 02.02.2015)

(Amended at the Board Meeting held on 29.01.2019)

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RELATED PARTY TRANSACTION POLICY

1. SCOPE AND PURPOSE 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 Clause 49 of the Listing Agreement, M/s Shetron Limited (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all Related Party Transactions.

Also, Clause 49(VII)(C) of the Listing Agreement requires a company to formulate a policy on materiality of Related Party Transactions and dealing with Related Party Transactions.

In light of the above, M/s Shetron Limited has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2. OBJECTIVE OF THE POLICY:

The objective of this Policy is to set out (a) the materiality thresholds for Related Party Transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS:

- ❖ **“Arm’s Length Transaction (‘ALP’)”** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- ❖ **“Board of Directors or Board”** means the collective body of the Directors of the Company;

- ❖ **“Material Related Party Transactions”** means a transaction with a related party if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. Any 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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.
- ❖ **“Ordinary Course of Business (‘OCB’)**” means a transaction which is:
 - ✓ carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
 - ✓ historical practice with a pattern of frequency, or
 - ✓ common commercial practice, or
 - ✓ meets any other parameters / criteria as decided by the Board/Audit Committee.
- ❖ **“Material Related Party Transactions”**, will have the same meaning as defined in Clause 49.
- ❖ **“Relative”** with reference to any person, means any one who is related to another, if—
 - (i) they are members of a Hindu Undivided Family;
 - (ii) they are husband and wife; or
 - (iii) one person is related to the other as:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)
- ❖ **“Key Managerial Personnel”** means
 - ✓ the Chief Executive Officer or the Managing Director or the Manager

- ✓ and in their absence the Whole-Time Director;
 - ✓ the Company Secretary;
 - ✓ the Chief Financial Officer; and
 - ✓ any other person appointed as the KMP by the Board of Directors of the
 - ✓ Company;
- ❖ **“Related Party”**, with reference to a company, means—
- (i) a Director or his relative;
 - (ii) a Key Managerial Personnel or his relative;
 - (iii) a firm, in which a director, manager or his relative is a partner;
 - (iv) a private company in which a Director or Manager is a member or director;
 - (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
 - (vi) 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;
 - (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
 - (viii) any company which is—
 - (A) a holding, subsidiary or an associate company of such company;
or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
 - (ix) such other person as may be prescribed;
- ❖ **“Related Party Transactions”** mean all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Clause 49.
- ❖ **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and the Clause 49;
- ❖ **“Transaction”** shall be construed to include single transaction or a group of

transactions in a contract;

4. POLICY:

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

5. FORMULATION OF POLICY ON MATERIALITY OF RELATED PARTY TRANSACTION

Formulation of Policy on Materiality of Related Party Transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board and such Policy shall be reviewed by the Board at least once in three years and updated accordingly.

6. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

1. Shetron Group Companies:

All the companies in Shetron Group will be considered as Related Parties.

2. Key Managerial Personnel and connected Related Parties:

Each Director and Key Managerial Personnel shall disclose to the Company Secretary of the Company its Related Parties. The Board shall record the disclosure of Interest.

The Company shall also identify Related Party Transactions with Directors or Key Managerial Personnel of the holding company/ies or their relatives.

3. The Company will identify the potential transactions with the Related Parties.

7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

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 clause 49 of the Listing Agreement.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction. To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Companies Act, 2013 and Rules thereunder, and the Listing Agreement with the Stock Exchanges.

Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the General Meeting for approval shall not require prior approval of the Audit Committee.

Board:

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and 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.

Shareholders:

All the material Related Party Transactions shall require approval of the shareholders through Special Resolution and the Related Party/ies with whom transaction is to be entered shall abstain from voting on such resolution.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through special resolution if so required under any law and the Related Parties shall abstain from voting on such resolution.

8. MATERIAL RELATED PARTY TRANSACTIONS:

A transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions

during a financial year, exceeds ten percent of the consolidated annual turnover as per the last audited financial statements of the Company.

9. 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 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 may examine the facts and circumstances of the case and take any such action it deems appropriate.

10. GENERAL PRINCIPLES:

- I. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- II. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions and assure themselves that the same are in the interest of the Company.
- III. The CFO of the Company is authorised to issue necessary guidelines/instructions for implementation of this Policy.
- IV. The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - ✓ To seek information from any employee.
 - ✓ To obtain outside legal or other professional advice.
 - ✓ To secure attendance of outsiders with relevant expertise, if it considers necessary
 - ✓ To investigate any Related Party Transaction.
- V. The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

11. DISCLOSURES:

Details of all material transactions with Related Parties shall be disclosed to stock exchanges quarterly along with the Compliance Report on Corporate Governance. The Company shall disclose the policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

12. AMENDMENTS IN LAW:

Any subsequent amendment/modification in the Listing Agreement and/or other applicable laws in this regard shall automatically apply to this Policy.

Date: 29.01.2019

Place: Bengaluru

Diwakar S Shetty
Chairman