

HITTCO TOOLS LTD.



AN ISO 9001 - 2015 COMPANY

Works : # 78, III Phase, Peenya Industrial Area, Bangalore - 560 058. Karnataka, INDIA. Tel: +91-80-2839 2266

E-mail : sales@hittco.com Website : www.hittco.com CIN No. L28939KA1995PLC016888

RELATED PARTY TRANSACTION POLICY

HITTCO TOOLS LIMITED

CIN: L28939KA1995PLC016888

REGISTERED OFFICE: #19, HTC ASPIRE, Ali Asker Road, Bangalore-560052

SCOPE

This policy provides a procedure to ensure that all transactions by and between a Related Party (as defined below) and Hittco Tools Limited ("Company") are properly identified and reviewed to ensure that Related Party Transactions (as defined below) are properly approved and disclosed in accordance with applicable law. This Policy on related-party transactions complements the existing legal framework towards promoting good corporate governance in the conduct of business.

PURPOSE

This policy has been adopted by the Company Board of Directors to define the procedures by which Related Party Transactions must be reported, reviewed, approved and managed. The Company has adopted this Policy to ensure that all Interested Transactions with Related Parties shall be subject to approval or ratification in accordance with the procedures given.

DEFINITIONS

- ❖ "Arm Length Transaction" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- ❖ "Material Related party Transactions" will have the same meaning as defined in Clause 49 of the Listing Agreement.
- ❖ "Ordinary course of business" means a transaction, which is carried out in the normal course of business.
- ❖ "Relative" in relation to a related party shall have the same meaning as assigned to in Section 2(77) of the Act.
- ❖ "Related party" will have the same meaning as defined under Section 2(76) of the Act and/ or the Clause 49 of Listing Agreement.



AN ISO 9001 - 2015 COMPANY

- ❖ "Related party transactions" 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 Clause 49, transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- ❖ "Key Managerial Personnel" will have the same meaning as defined under Section 2(51) of the Act
- ❖ "Transaction" shall be construed to include single transaction or a group of transaction in a contract.

Process and systems for entering related party transactions

A. Prohibitions related to Related Party Transactions

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c) Such omnibus approval shall specify
 - (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.

- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.



- Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and 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.

B. Transactions with the approval of board of directors and/ or committees

- Prior to entering into the Related Party Transaction, the Director or executive officer who is a Related Person or has an immediate family member who is a Related Person must provide notice to the Company Secretary of the facts and circumstances of the proposed Related Party Transaction.
- Before engaging in a transaction, the Company Secretary of the Company verifies whether the counterparty is a related party.
- If it is found that the counterparty to the transaction is a related party then the Company Secretary informs Chief Financial Officer (CFO) who evaluate the transaction accordingly and CFO in turn informs the Audit Committee of the company.
- Upon receipt of such notification the Chief Financial Officer (CFO) give notice thereof to the Secretary of the Board of Directors who convene the Audit Committee meeting and share their evaluation and Audit Committee in turn review and approve or disapprove the transaction.

Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

Further, If the Audit 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 procedure given below shall be followed:-

- The Board determines the transaction and approved by a majority of directors disinterested in the Related Party Transaction. No director shall participate in any approval of a Related Party Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Related Party Transaction to the Committee.
- The Board determines that all material related party transactions shall also require approval of shareholders of the company by way of special resolution and the related parties shall abstain from voting on such resolutions.

C. Transactions with the approval of shareholders;

- Prior to entering into the Related Party Transaction, the Director or executive officer who is a Related Person or has an immediate family member who is a Related Person must provide notice to the Company Secretary of the facts and circumstances of the proposed Related Party Transaction.



- Before engaging in a transaction, the Company Secretary of the Company verify whether the counterparty is a related party.
- If it is found that the counterparty to the transaction is a related party then the Company Secretary informs Chief Financial Officer (CFO) who evaluate the transaction accordingly and CFO in turn informs the Audit Committee of the company.
- Upon receipt of such notification the Chief Financial Officer (CFO) give notice thereof to the Secretary of the Board of Directors who convene the Audit Committee meeting and share their evaluation and Audit Committee in turn review and approve or disapprove the transaction and if approve, recommend to the Board for its approval subject to the approval of shareholders.
- The Board determines the transaction and approved by a majority of directors disinterested in the Related Party Transaction and recommends it for shareholders' approval. No director shall participate in any approval of a Related Party Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Related Party Transaction to the Committee.
- In General Meeting of the Company shareholders discuss and approve or disapprove the transaction recommend by the board of directors for their approval

DISCLOSURE OF RELATED PARTY TRANSACTION POLICY

The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide web link in the Annual Report

Standard for Review

An audit Committee shall evaluate and review any related party transaction according to the standards given below:-

- The Related Party's interest in the Interested Transaction;
- The approximate value of the amount involved in the Interested Transaction;
- The approximate value of the amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- Whether the transaction was undertaken in the ordinary course of business of the Corporation;
- whether the transaction with the Related Party is proposed to be, or was, entered into on terms no less favorable to the Corporation than terms that could have been reached with an unrelated third party;
- The purpose of, and the potential benefits to the Corporation of, the Interested Transaction;



- Any other information regarding the Interested Transaction or the Related Party in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

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

Failure to observe the policies and procedures set forth in this Policy could lead to severe consequences for the Company and for related parties, including such contract or arrangement shall be voidable at the option of the Board; directors concerned shall indemnify the company against any loss incurred by it; Company can recover losses from director or other employee; A director is disqualified for appointment, if he has been convicted of the offence dealing with related party transactions at any time during the last preceding five years and other disciplinary actions.

The Compliance Officer of the company shall have the authority to make a determination as to whether the policies and procedures set forth in this Policy have been violated and, if so, the action to be taken by the Company, which may include termination of employment and/or association or other disciplinary action as he deems appropriate.

Amendment and Interpretation

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies.

