



PATTECH FITWELL TUBE COMPONENTS LIMITED

Registered Office: Survey No. 873/B/1, Road No.: 1, Ansons Limbani Estate,
Near GETCO 66 K.V. Sub Station, G.I.D.C, Por, N. H-08, Dist.: Vadodara - 391243, Gujarat, India

CIN: L28990GJ2022PLC134839

TEL NO: +91 265 283 0151; **EMAIL:** tubefitwell@gmail.com

RELATED PARTY TRANSACTION POLICY

1. PREAMBLE

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 read with the Rules framed thereunder, as amended from time to time ("Act") and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, ("SEBI LODR"), Pattech Fitwell Tube Components 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 LODR requires a company to formulate a policy on materiality of Related Party Transactions and dealing with Related Party Transactions. The said policy is required to include clear threshold limits approved by the Board. In light of the above, the Company 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. In addition to the above, this Policy shall be reviewed by the Board of Directors at least once in three years.

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, SEBI LODR and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

"Act" means The Companies Act, 2013, as amended from time to time.

"Arms' 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 Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of applicable law and regulations.

"Board" means Board of Directors of the Company.

"Control" includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner: Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position.

"Associate Company" shall have the meaning as defined under sub-section 6 of section 2 of the Companies Act 2013.

"Key Managerial Personnel" shall have the meaning as defined under sub- section 51 of section 2 of the Companies Act 2013.

"Material Related Party Transaction" means 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, exceeds Rupees fifty 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.

However, 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, exceed Five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"Material Modification" shall means any modification, amendment or waiver or supplement or consent with respect to a related party transaction or contract which were approved by the Audit Committee / Board / Shareholders, as the case may be, which is likely to result in variation of more than 20% in the pre-approved related party transaction value or price of such transaction or contract during the year.

Turnover for the sake of this policy means "Revenue from Operations" as shown in the results published by Company as per regulation 33.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the Listing Regulations or any other applicable law or regulation.

“**Policy**” means Related Party Transaction Policy.

“**Ordinary course of business**” means such transaction as may be so determined based on the guiding principles set down under Appendix A, which may be amended from time to time in accordance with the statutory requirements and other industry practices and guidelines.

“**Related Party**” means related party as defined under Section 2(76) of the Companies Act and Regulation 2(1)(zb) of the Listing Regulations, read with amendments issued from time to time which is as follows:

- As per Section 2(76) of the Companies Act, Related Party means as defined under section 2(76) of Companies Act
- Applicable Accounting Standards
- Any person or entity forming a part of the promoter or promoter group of the listed entity; or
- holding equity shares of 20% or more either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year [w.e.f April 1, 2022]; 10% or more [w.e.f April 1, 2023].

Beneficial interest basis includes parties

- Directly or indirectly, through any contract, arrangement or otherwise,
- The right or entitlement of a person alone or together with any other person to –
- Exercise or cause to be exercised any or all of the rights attached to such share; or
- Receive or participate in any dividend or other distribution in respect of such share

“**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 or his relative is a member or director;
- (v) a public company in which a director or manager (and holds) 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 under 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;
 - c. An investing company or the venture of the company.

(Explanation-For the purpose of this clause, “the investing company or the venture 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.

- (ix) such other person as may be prescribed;

Section 2(1)(zb) of the Listing Regulations:

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act: or
- (ii) such entity is a related party under the applicable accounting standards.

Provided that:

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

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

(i) of twenty per cent or more; or

(ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

shall be deemed to be a related party:

“Related Party Transaction” means related party as defined under sub-section 76 of Section 2 of the Companies Act, 2013 or under applicable accounting standards and as Regulation 2(1)(zc) of the LODR Regulations and includes a Related Party Transaction within the meaning of Companies Act, 2013.

Section 2(1)(zc) of the Listing Regulations:

“Related Party Transaction” means a transaction involving a 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:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- (e) retail purchases from any listed entity or its subsidiary by the directors or key managerial personnel of the listed entity or its subsidiary, and relatives of such directors or key managerial personnel], without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

“Relative” with reference to a director or a Key Managerial Personnel means persons defined under Section 2(77) of the Companies Act read with amendments issued from time to time.

“Material Modifications” means any modification, amendment or waiver or supplement or consent with respect to a related party transaction or contract which were approved by the Audit Committee / Board / Shareholders, as the case may be, which is likely to result in variation of more than 20% in the pre-approved related party transaction value or price of such transaction or contract during the year.

Turnover for the sake of this policy means “Revenue from Operations” as shown in the results published by Company as per regulation 33.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the Listing Regulations or any other applicable law or regulation.

4. PROCESS AND PROCEDURE FOR DEALING WITH RELATED PARTY TRANSACTIONS

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

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

All Related Party Transactions shall require prior approval 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.

Procedure:

A. Disclosure by Directors

Every Director shall at the beginning of the Financial Year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

B. Identification of Transaction with related Parties

Each Director and Key Managerial Personnel is responsible for providing notice to the Company 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. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Each Director and Key Managerial Personnel shall make an annual declaration to the Company and this declaration shall be placed before the Board of Directors at their first meeting held in the financial year. Any change in the list of relatives shall be intimated by the Directors and Key Managerial Personnel from time to time, as may be required.

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

C. Review and approval of Related Party Transaction:

(a) Audit Committee

Related party transactions are regularly referred to the scheduled meeting of Audit Committee for review and approval. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Any member of the Committee or the Directors of the Board who has potential interest in any Related Party Transaction shall not participate / abstain from discussions / voting on the subject matter involving approval of Related Party Transaction.

All the transactions which are identified by the Audit Committee as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- (i) Name of party and details explaining nature of relationship;
- (ii) Duration of the contract and particulars of the contract and arrangement;
- (iii) Nature of transaction and material terms thereof including the value, if any;
- (iv) Manner of determining the pricing to ascertain whether the same is on arm's length;
- (v) Business rationale for entering into such transaction;
- (vi) Any other information relevant or important for the Board to take a decision on the proposed transaction.

Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction. If the Committee determines that the related party transaction is:

- (i) a material related party transaction; or

- (ii) Transactions are not in the ordinary course of business or not at the arm's length price, the Audit Committee shall place the matter before the Board for obtaining its approval.

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:

- (i) 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;
- (ii) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (iii) Whether the Related Party Transaction would affect the Independence of an Independent Director;
- (iv) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (v) 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
- (vi) 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.

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 (Rupee One Crore) per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.

(b) Board of Directors

Where approval of Board of Directors is required for any related party transaction or if the Board in any case elects to reviews 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.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

(c) Shareholder approval

In case Board refers a Related Party Transaction for seeking approval of the Shareholders as per the provisions of Companies Act 2013 or otherwise, if any member of Company is a related party as per this policy, such member of the Company shall not vote on resolution passed for approving such related party transaction.

(d) Transactions which do not require approval:

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

- Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- 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.

(e) Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction, to the extent permissible under the law.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive-off any procedural requirements of this Policy.

(f) Materiality of Related Party Transactions:

Contracts / Arrangements with related party shall be considered as —material related party contracts/Arrangements if the transactions to be entered into individually or taken together with previous transactions during a financial year under such contracts/Arrangements exceeds ten percent of the annual turnover of the Company as per the last audited financial statements or such as may be prescribed under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time.

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 five percent of the annual turnover of the Company as per the last audited financial statements of the Company.

4. DISCLOSURE

The particulars of contracts or arrangement with Related Parties referred to in section 188(1) of the Act shall be disclosed in the report of the Board as per Section 134 of the Act. Further, the Company shall provide additional disclosures on related party transactions as required under Regulation 23 of the SEBI (LODR) Regulations, 2015.

The Company shall submit disclosures of Related Party Transactions on a consolidated basis, in the format specified by the Securities and Exchange Board of India to the stock exchanges and publish the same on its website within the time limit prescribed under LODR Regulations.

5. 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 in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

6. POLICY REVIEW

This Policy shall be subject to review and changes as may be deemed necessary by the Board of Directors and to comply with any regulatory requirements.

Appendix A

Determination of Ordinary Course of Business

BACKGROUND:

Section 188(1) of the Companies Act states that a company shall not enter into any contract or arrangement, as specified therein, with a related party which is not in the ordinary course of business and which is not at arm's length, without the consent of the board of directors given by a resolution at the meeting of the board of directors. In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Companies Act read with the rules, it will also be put up for prior approval of the shareholders through ordinary resolutions.

So, for transactions meeting both the criteria in the fourth proviso to section 188(1) of the Companies Act, viz. transactions that are entered in the Ordinary course of business and amount to an Arms' Length Transaction, the provisions of Section 188(1) of the Companies Act would not apply.

Whilst the framework policy defined by us defines an Arm's Length Transaction, the Policy does not articulate what would be deemed as ordinary course of business for the Company.

WHAT IS ORDINARY COURSE OF BUSINESS?

The phrase 'ordinary course of business' is not defined under the Companies Act or the rules prescribed thereunder. An assessment of whether a transaction is in 'ordinary course of business' may be very subjective, judgmental and can vary on case-to-case basis. The purpose of making such assessment is to determine whether the transaction is usual or customary to the Company and / or its line of business. The Company would, therefore, be required to exercise its judgment to conclude whether a transaction which the Company enters into can be considered to be in the ordinary course of its business.

For example, a car manufacturing company selling car to its group company would easily be deemed as a transaction that has been entered into by the company in its ordinary course of business.

Transactions that may be considered outside a company's normal course of business:

International Standard on Auditing ("ISA") 550- 'Related Parties' has listed certain illustrative (not exhaustive) examples of the same:

- a. Complex equity transaction, such as corporate restructurings or acquisitions.
- b. Transactions with offshore entities in jurisdictions with weak corporate laws
- c. The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged;
- d. Transactions with circular arrangements, for example, sales with a commitment to repurchase;
- e. Transactions under contracts whose terms are changed before expiry.

Tests for determining whether a contract/ activity falls within the ordinary course of business:

The courts have *inter alia* laid down the following principles in this regard:

- a. the objects of the company permit such activity;
- b. it is a historical practice and there is a pattern of frequency (and not an isolated transaction);
- c. it has a connection with the normal business carried on by the company;
- d. the income, if any, earned from such activity/transaction is assessed as business income in the company's books of accounts and hence, is a 'business activity'; and
- e. It is a common commercial practice.

Key factors which the management of the Company may consider in making its assessment for ordinary course of business of the Company:

i. Whether the transaction is covered in its Memorandum of Association:

If the transaction is covered in the objects clause of the Memorandum of Association (MOA) then it is likely to be in ordinary course of business of the company.

ii. Whether a transaction is usual or unusual:

Although a Company would be outsourcing its IT processes for the first time, if that is a norm in the industry in which it operates the transaction is not unusual. Hence, whilst deciding the usualness or otherwise of a transaction, one should not restrict oneself only to the company and its past history; rather, a wider perspective covering line of business.

iii. Frequency:

If a transaction occurs frequently over a period of time, the more likely it is to be an ordinary part of the business. However, the inverse of this does not necessarily hold true. Business purpose of the transaction and whether transaction is done on similar basis with other third parties:

The Company would consider transactions to be in the ordinary course of business which include those that form part of the Revenue from Operations, the costs of goods sold, and the normal expenses incurred for operating the business uninterruptedly or part of capital asset like replacement / maintenance of fixed assets (considering the business rationale and without any complicated terms and conditions as compared to transactions with independent third parties)

A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary may generally be assessed on a case to case basis as to whether they could be considered to be in the ordinary course of business.

iv. Size and volume of transaction.

The materiality of the transaction in terms of its value may be considered.
