



TVS ELECTRONICS LIMITED

RELATED PARTY TRANSACTION POLICY

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Preamble:

The Board of Directors (the "Board") of TVS Electronics Limited (the "Company") has adopted the following policy and procedures ("Policy") with regard to Related Party Transactions (RPTs) as defined below:

This Policy may be amended by the Company from time to time and is subject to all laws and regulations applicable to the Company from time to time.

This policy is also in conformance with the Company's Code of Conduct for Business and ethics which provides that all directors and senior management personnel are required to disclose all potential or actual conflict of interest, which may be against the interest of the Company and take actions to eliminate such conflict, if so required.

1. Objective

- 1.1 This Policy is formulated in accordance with the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory enactments / amendments thereof) and is intended to ensure proper approval and reporting of RPTs between the Company and its Related Parties. In addition, the Company is also required to define the materiality of RPTs. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.
- 1.2 The Company is required to disclose the Policy on dealing with RPTs each year in its Annual Report as well as in its website.

2. Definitions

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013

"Board" means the board of directors of the Company

"Key Managerial Personnel" of **"KMP"** shall have the meaning referred to in the Companies Act, 2013

"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 rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company (whichever is lower) in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations in force from time to time. (w.e.f. April 1, 2022)

Notwithstanding the above, 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 (5%) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Material Modification” means any variance to the terms and conditions of the approved related party transaction. (w.e.f January 1, 2022)

“Ordinary Course of Business” means transactions that are necessary, normal and incidental to the business, the objects of the Company permit such activity, there is a historical practice and patterns of frequency (not an isolated transaction) has connection with the normal business carried on by the Company.

“Related Party” means an entity which is:

- (i) a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) a related party under the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India.
- (iii) (w.e.f. April 1, 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 of 20% or more; (10% w.e.f. April 1, 2023) in the Company 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 a transaction involving a transfer of resources, services or obligations between:

- (i) Company 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) With effect from April 1, 2023, Company 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 Company or any of its subsidiaries;

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:

- I. 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;
- II. the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - a. Payment of dividend;
 - b. Sub-division or consolidation of securities;
 - c. Issuance of securities by way of a rights issue or a bonus issue; and
 - d. Buy-back of securities.
- III. 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.
- IV. Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s). (w.e.f. April 1, 2022)

“Relative” means relative as defined under the Companies Act, 2013

Words and expressions used in this policy shall have the same meanings respectively assigned to them in the following acts / listing agreement / regulations / rules as may be amended from time to time.

1. The Companies Act, 2013 or the rules framed thereon
2. SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.
3. Securities Contracts (Regulation) Act, 1956
4. SEBI Act, 1992
5. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and amendments from time to time
6. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time

3. General Guidelines

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee and referred by the Audit Committee to the Board for approval in accordance with this policy. (w.e.f. April 1, 2022)

All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders vide a resolution and all the related parties of the Company shall abstain from voting on such resolutions irrespective of whether they are interested in that particular Material related party transaction. (w.e.f. April 1, 2022).

Provided Prior approval of shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and sub- regulation (2) of regulation 15 of SEBI (LODR) are applicable to such listed subsidiary. (w.e.f. April 1, 2022)

Provided however that the Transactions entered into between the Company and a Wholly owned subsidiary of the Company where

- i. The accounts of the subsidiary are consolidated with the Company; and
- ii. Approved by the shareholders at a general meeting.
- iii. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval (w.e.f. April 1, 2022)

shall not require approval of either Audit Committee or the shareholders.

4. Identification of RPTs

4.1 Each Director and "KMP" and other related party shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential RPT involving him/ her or relative of such person together with additional information about the RPT that the Board or Audit Committee may reasonably request.

4.2 The Company prefers that notice of any RPT is given well in advance so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed RPT.

4.3 The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy.

5. Review and Approval of RPTs

5.1 All RPTs and subsequent material modifications (w.e.f April 1, 2022) shall require prior approval of Audit Committee. Provided only those members of Audit Committee who are Independent directors shall approve related party transactions. (w.e.f. January 1, 2022)

5.2 The Audit Committee of the Company shall define the “material modifications” and disclose it as part of the related party transactions policy. (w.e.f. April 1, 2022)

5.3 RPTs shall be referred to the next regularly scheduled meeting(s) of Audit Committee for its review and approval.

5.4 The Audit Committee, in order to review a RPT, shall be provided with all relevant material information of the RPT, 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 information as may be required under the applicable provisions of Companies Act 2013/SEBI Regulations and amendments thereof. . The aforesaid information shall also be disclosed in the notice of the shareholders meeting, in case of material related party transactions.

5.5 Any member of the Audit Committee, who has an interest in any RPT shall recuse himself or herself and abstain and voting on the approval of such RPTs.

5.6 A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company. (w.e.f. April 1, 2022).

With effect from April 1, 2023, a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of such subsidiary.

5.7 Prior approval of the audit committee of the Company shall not be required for a related party transaction when a subsidiary of the Company which is listed is a party but the Company is not a party, if regulation 23 and sub- regulation (2) of regulation 15 of SEBI (LODR) are applicable to such listed subsidiary of the Company. However, if the subsidiary of the Company is unlisted, then the prior approval from the audit committee of the Company shall suffice. (w.e.f. April 1, 2022)

6. Criteria for approving RPTs

In determining, whether to approve a RPT, the Audit Committee shall consider the following factors, among others, to the extent relevant to the RPT;

6.1 Whether the terms of the RPT are fair and on ‘arms length basis’ to the Company and would apply on the same basis if the transaction did not involve a related party.

6.2 Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;

6.3 Whether the RPT would affect the independence of an independent director;

6.4 Whether the proposed RPT includes any potential reputational risk issues that may arise as a result of or in connection with the proposed RPT;

6.5 Whether subsequent ratification of the proposed RPT is allowed and would be detrimental

to the Company; and

6.6 Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, KMP or other Related party, the direct or indirect nature of the director's KMP or other related party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant;

6.7 If the Audit Committee determines that a RPT should be brought before the Board, or if the Board in any case elects to review any such matter or its is mandatory under any law for Board to approve the RPT, 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.

7. Omnibus Approval

7.1 The Audit Committee shall also be entitled to grant omnibus approval ("Omnibus Approval") for a class of transactions which are repetitive in nature as per the procedure specified for approving RPTs in this Policy.

7.2 In addition to the criteria specified above, the Audit Committee shall be required to specify in the omnibus approval:

- i. Names of the Related Party, nature, period of transaction and maximum amount of the proposed RPT
- ii. The indicative base price / current contracted price and the formula for variation in the price, if any.
- iii. And such other conditions as the Audit committee may deem fit.
- iv. In the event the need for a class of RPTs cannot be foreseen or the details specified in (i) to (iii) above are not available, the Audit Committee may grant Omnibus approval for such RPTs provided each transaction does not exceed ₹1,00,00,000/- (Rupees One Crore)

7.3 Audit committee shall review, the details of actual RPTs entered into by the Company pursuant to each of the Omnibus approvals on a quarterly basis.

7.4 The omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals from the audit committee after the expiry of one year from the grant of each approval.

7.5 Any transaction that involves the providing of compensation to a Director or KMP 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 does not require prior review of audit committee.

7.6 Any transaction in which the related party 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 does not require prior review of audit committee.

8. RPTs not approved under this policy

8.1 In the event the Company becomes aware of a RPT with a related party that has not been approved under this policy by the audit committee prior to its consummation, it shall report

such transaction to the Audit Committee which shall follow the procedure laid down in this policy and shall also place in the shareholders meeting for their approval, in case of material related party transaction.

8.2 In any case, save as otherwise provided in the policy, where the Audit Committee determines not to ratify a RPT that has been commenced without its prior approval, the audit committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission or revision of the transaction.

9. Amendments

This policy may be amended by the Board at any time and is subject to the (i) amendments to the Companies Act, 2013 and (ii) further guidelines from the SEBI.

10. Review

This policy shall be reviewed by the Board of Directors at least once in every three years and update.

This policy is updated by the Board of Directors, with effect from 19th March 2022.