

VIKSIT ENGINEERING LIMITED

Policy on Related Party Transactions

Introduction & Purpose

The Viksit Engineering Limited (the “Company”) recognizes that Related Party Transactions (*as defined and identified under the Companies Act, 2013 (the “Act”) and the Listing Agreement*) can cause potential or actual conflicts of interest, which may raise questions about whether such transactions are in the best interest of the Company and its shareholders. As a part of the Company’s philosophy of adhering to highest ethical standards, transparency and accountability in conduct of its business and in the interest of maintaining and adhering to an appropriate governance framework, the Company has historically mandated and ensured that such Related Party Transactions (RPT) should be undertaken only in the ordinary and normal course of business and at arm’s length such that relationship with the Related Party does not influence, in any manner whatsoever, the pricing and other terms and conditions of such transactions by the Company with Related Parties.

This policy has been adopted by the Board of Directors of the Company based on the 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.

Arm’s Length Pricing

The Arm's Length Pricing (ALP) is the condition or the fact that the parties to a RPT are independent (unrelated) and on an equal footing from one or more of the following aspects namely quality, realization, commercial terms etc. Such a transaction is known as an "arm's-length transaction".

The Company may adopt reasonable approach or methodology to demonstrate ALP for the specified RPT identified by them. For example: in case the Company is not doing a similar transaction with any unrelated Party, the terms between two unrelated parties of similar standing for similar transactions, will form the Arm’s Length benchmark.

Related Party Transaction (RPT): A Related Party Transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged. A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

Finally, the Companies Act, 2013 and / or the Listing Agreement provides for certain kinds of Related Party Transactions to be preapproved by shareholders. These are:

- (i) When the RPT is not in the ordinary course of business even though at arm’s length;
- (ii) When the RPT though in the ordinary course of business is not at arm’s length;
- (iii) When the RPT is both in the ordinary course of business and at arm’s length but crosses the materiality threshold of value at 10% of consolidated turnover of the corporate.

Definition

- a) **‘Body Corporate’ or ‘Corporation’** includes a company incorporated outside India, but does not include;
- ◆ A co-operative society registered under any law relating to co-operative societies; and
 - ◆ Any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf.
- b) **‘Company’** means a company incorporated under the Companies Act, 2013 or under any previous company law.
- c) **‘Control’** shall include 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.
- d) **Key Managerial Personnel’**, in relation to company, means –
- ◆ the Chief Executive Officer or the managing director or the manager;
 - ◆ the whole-time director;
 - ◆ the Chief Financial Officer;
 - ◆ the Company Secretary; and
 - ◆ such other officer as may be prescribed;
- e) **Materiality:** The materiality of any RPT will be ascertained as per the thresholds prescribed under the Act or the Listing Agreement, whichever is lower.
- f) **‘Net Worth’** means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.
- g) **Ordinary Course of Business**

The criteria of being “ordinary” or “normal” or “in the ordinary course of business”, is met when both of the two selective criteria are satisfied namely;

- a) the transaction must be ascribed to business objectives or operational activities or alternatively, related to financial activities and;
- b) the same transaction must also fall under the parameter of the ordinary exercise of operational activities or related financial activities.

Based on the principles elaborated in the Group Guidelines Governing Related Party Transactions, the Company shall determine the activities to be classified as being in the Ordinary Course of Business.

- h) **Turnover**’ means the aggregate value of the realization of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year
- i) **‘Whole-time director’** includes a director in the whole-time employment of the company.

Objective of the Policy on RPTs

To ensure compliance with legislative and regulatory provisions under the Companies Act, 2013 and the Listing Agreement governing RPTs, both in letter and spirit.

Policy on RPT’s

1. The Company, its directors, promoters, KMPs, and operating management shall ensure that –
 - (i) All RPTs are at arm’s length and are undertaken in the ordinary course of business i.e. the relationship with the transacting party should not confer on the Company or the transacting party any undue benefit / advantage or undue disadvantage / onerous obligations, that will be unacceptable if such transacting party was not a related party and / or the Company will not enter into a transaction which it will ordinarily not undertake.
 - (ii) There is no “conflict of interest” while negotiating and arriving at terms of such Related Party Transactions.
2. All RPTs shall be placed before Audit Committee for prior approval of the Audit Committee, as required under the provisions of the Act and the Listing Agreement.
3. The Audit Committee may grant omnibus approval for RPTs which are repetitive in nature, provided that such approval shall remain valid for period not exceeding one year, during which period the commercial terms of approved RPTs may change, provided that arm’s length criterion shall be ensured at the time of each such change. Where the need for RPTs cannot be foreseen and requisite details are not available, any two officials of the Company namely the Managing Director, Chief Financial Officer and Company Secretary shall be authorized to review the requirement and grant their omnibus approval for such transactions provided that value of each such transaction shall not exceed Rs. 1 crore.
4. All related party contract / arrangements shall comply with Listing Agreement.
5. All related party contract / arrangements shall comply with Accounting Standards.

6. All domestic related party contracts / arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
7. All international related party contract / arrangements shall comply with International Transfer Pricing Requirement under section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
8. The RPTs should be in the interests of the Company and its terms should be based on commercial prudence/generally accepted commercial practices.
9. Any RPT which is not in the ordinary course of business of the Company or not at arm's length shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of Audit Committee.
10. The RPTs which cross the Materiality thresholds shall be entered by the Company only with prior approval of shareholders of the Company through special resolution, as per applicable provisions of the Act and the Listing Agreement, as may be amended from time to time.
11. Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.