

INDIAN INFOTECH AND SOFTWARE LIMITED

CIN - L70100MH1982PLC027198

POLICY ON RELATED PARTY TRANSACTIONS

POLICY ON RELATED PARTY TRANSACTIONS AS PER CLAUSE 49(VII)(E) OF THE LISTING AGREEMENT & SECTION 188 OF THE COMPANIES ACT, 2013

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, its shareholders and stakeholders.

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. 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 the Company hereby formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

Time to time, 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 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 from time to time.

3. DEFINITIONS

Until and unless stated/modified hereunder, the definition mentioned in companies Act, 2013 and cl. 49 of the listing application applicable to this policy.

- a. "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;
- b. "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.
- c. "Board of Directors or Board" means the collective body of the Directors of the Company;

- d. "Chief Executive Officer (CEO)" means an officer of the Company as defined in Section 2(18) of the Act;
- e. "Chief Financial Officer (CFO)" means a person of the Company as defined in Section 2(19) of the Act;
- f. "Company Secretary (CS)" means a Company Secretary as defined in Section 2(24) of the Act;
- g. "Key Managerial Personnel" means:
 - (a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole-Time Director;
 - (b) the Company Secretary;
 - (c) the Chief Financial Officer; and
 - (d) any other person appointed as the KMP by the Board of Directors of the Company;
- h. "Managing Director" means Managing Director as defined in Section 2(54) of the Act;
- i. MATERIALITY THRESHOLDS means as per clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution and the Board has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Clause 49(VII) (C) of the Listing Agreement.
- j. "Material Related Party Transactions", will have the same meaning as defined in Clause 49.
- k. "Ordinary Course of Business ('OCB')" means a transaction which is carried out in the normal course of business in accordance with its historical practice with a pattern of frequency, or common commercial practice, or meets any other parameters / criteria as decided by the Board/Audit Committee.
- l. "Related Party", will have the same meaning as defined under Section 2(76) of the Act and / or the Clause 49.
- m. "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.
- n. "Relative" in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
- o. "Transaction" shall be construed to include single transaction or a group of transactions in a contract;

- p. "Whole-time Director" means Whole-time Director as defined in Section 2(94) of the Act;

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

4.1. Identification of related parties: The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Clause 49 of the Listing Agreement.

Identification of related party transactions are those transaction(S) as per Section 188 of the Act and Clause 49 of the Listing Agreement.

Also, whether the transaction is in the ordinary course of business and at arm's length basis.

4.2 Procedure for approval of related party transactions

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting the unanimous approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;

- The Audit Committee shall satisfy itself the need for such unanimous approval and that such approval is in the interest of the company;

- The unanimous approval shall provide details of:

- a. the name/s of the related party,

- b. nature of transaction, period of transaction, maximum amount of transaction that can be entered into,

- c. the indicative base price / current contracted price and the formula for variation in the price if any and

- d. such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant unanimous approval provided the value does not exceed Rs.1 crore per transaction and maximum Rs 5Cr per annum;

- The 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 unanimous approval given;

- Such omnibus approval shall be valid for 3 year(s).

4.3. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek inter alia the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as: o market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
- third party comparables, valuation reports, price publications including stock exchange and commodity market quotations; of management assessment of pricing terms and business
- justification for the proposed transaction; of comparative analysis if any of other such transaction entered into by the company.

4.4. Approval of the Board of Directors of the Company As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

For this purpose, 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.

4.5. The Board and Audit committee will comply all the applicable provisions of the Clause 49(VII)(E) of the Listing Agreement &Section 188 of the Companies Act, 2013 and rules framed thereunder.

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 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 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 for the loss suffered by the related party 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.

For Indian Infotech and Software Limited

Sd/-

**Kamal Nayan Sharma,
Managing Director**