

## OPTO CIRCUITS (INDIA) LIMITED

### POLICY ON RELATED PARTY TRANSACTION

#### **Introduction**

The Board of Directors (the “Board”) of Opto Circuits (India) Limited (the “Company”), has adopted the following policy and procedures (“Policy”) with regard to Related Party Transaction(s) (RPTs) as detailed below.

This Policy shall come into effect and shall supersede the existing Policy on Related Party Transactions, with effect from April 01, 2019

#### **Purpose of the Policy**

This policy is framed based on requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015] and also to comply with the Provisions of the Companies Act, 2013 and is intended to ensure the governance and reporting of transaction(s) between the Company and its Related Parties.

#### **Definitions**

- a) “Arm’s 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.
- b) “Audit Committee” means Audit Committee of the Board of Directors of the Company constituted under provisions of SEBI (LODR) Regulations, 2015 and Companies Act, 2013.
- c) “Board” means the Board of Directors of the Company.
- d) “Company” means Opto Circuits (India) Limited.
- e) “Key Managerial Personnel” or “KMP” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made there under. (As per Section 203 of the Companies Act, 2013, the following are whole-time Key Managerial Personnel:
  - (i) Managing Director or Chief Executive Officer or the Manager and in their absence a whole-time Director;
  - (ii) Company Secretary; and
  - (iii) Chief Financial Officer

- f) “Material Related Party Transaction” means the following:
- A) 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 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such other limit in terms of the Listing Regulations in force from time to time.
  - B) 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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.”
- g) “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 pattern of frequency (not an isolated transaction), has connection with the normal business carried on by the Company.
- h) “Policy” means Related Party Transaction Policy of the Company.
- i) “Related Party” means, a person or an entity:
- a. Which is a related party under Section 2(76) of the Companies Act, 2013 or Regulation 2(1)(zb) of Listing Regulations; or
  - b. Which is a related party under the applicable accounting standards
  - c. Related Party under section 2(76) of the Companies Act, 2013 and Rules made there under are as follows:
    - 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 is a director and 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 on 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. a body corporate 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 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. Director or Key Managerial Personnel of the Holding Company or his relative; or

x. Such other persons as may be prescribed by Central Government.

Further, any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.”

j) “Related Party Transaction” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, specifically including transactions under section 177 and section 188 of the Companies Act, 2013, regardless of whether a price is charged.

k) “Relative” as per the Companies Act, 2013, with reference to any person, means anyone who is related to another, if: (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other person as; (a) Father (including step-father) (b) Mother (including step-mother) (c) Son (including step-son) (d) Son’s wife (e) Daughter (f) Daughter’s husband (g) Brother (including step-brother) (h) Sister (including step-sister)

Words and expressions used in this Policy shall have the same meaning respectively assigned to them in the following Acts, Listing Regulations, other regulations, and rules.

(i) The Companies Act, 2013 or the rules framed thereon;

(ii) Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(iii) Securities Contracts (Regulation) Act, 1956;

(iv) Securities and Exchange Board of India Act, 1992;

(v) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018;

(vi) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(vii) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

## Policy

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

## Identification of RPTs.

Each Related Party shall promptly notify of any 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 them or their Relative together with additional information about the RPT that the Board or Audit Committee reasonably request. 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. The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy.

## Review and approval of RPTs

### Audit Committee

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by a resolution by circulation.

All Related Party Transactions shall require prior approval of the Audit Committee.

However, the Audit Committee may grant omnibus approval for Related Party Transaction(s) proposed to be entered into by the company subject to the following conditions:

- (i) The Related Party Transaction proposed to be entered into with the Company must be repetitive in nature and in ordinary course of business and at Arm's Length basis.
- (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- (iii) 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 transaction(s) subject to their value not exceeding Rs.1.00 Crore per transaction.
- (iv) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- (v) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year. (

(vi) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

- Transaction(s), other than transactions referred to under Section 188 of the Companies Act, 2013 entered into between holding company and its wholly owned subsidiary shall not require approval of the Audit Committee.

Notwithstanding the foregoing the following Related Party Transactions shall not require approval of Audit Committee or shareholders: (i) 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. (ii) 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.

### **Board**

If the Committee determines that a Related Party Transaction should be brought before the Board, or where Committee does not approve the transaction shall make its recommendation to the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be appropriate under the circumstances. A Director, if interested in any Related Party Transaction, shall not be present at the meeting, whether physically or through Electronic mode, during discussions and shall not vote on such item.

### **Shareholders**

All Material Related Party Transactions shall require approval of the shareholders through resolution. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through resolution, if so required under any law, and the Related Parties shall abstain from voting on such resolution. Any Related Party Transaction or Material Related Party Transaction if entered into with a Wholly Owned Subsidiary, whose accounts are consolidated with the Holding Company and placed before the shareholders at General Meetings for approval, shall not require approval of the Shareholders.

### **Materiality Thresholds:**

Regulation 23 of Listing Regulations requires the Company to provide clear threshold limits duly approved by the Board of Directors for related party transactions. Materiality Thresholds for related party transactions: The RPTs which crosses the Materiality thresholds as mentioned below shall be entered by the Company only with prior approval of shareholders of the Company through resolution, as per applicable provisions of the Act and the Listing Regulations, as may be amended from time to time.

1. The Company 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 Regulation 23 (4) of SEBI (LODR) Regulations, 2015.
2. Any other Related Party Transaction shall be placed before the Shareholders for approval, as per the threshold limits mentioned and in terms of the provisions of Section 188 of the Companies Act, 2013 read with relevant Rules.

### **RPTs not approved under this policy.**

In the event the Company becomes aware of a RPT with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction(s) and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction(s). The Committee may examine the facts and circumstances of the case and take any such actions it deems appropriate. An RPT involving amount not exceeding one Crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the RPT, such transaction shall be voidable at the option of the Committee and if the transaction is with the Related Party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

### **Disclosures.**

Details of all material transactions with Related Parties shall be disclosed as part of the Report on Corporate Governance, included in the Annual Report of the Company. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year; disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish

the same on its website.” The annual report shall include disclosures of transactions of the Company with any person or entity belonging to the promoter/promoter group which holds 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

### **Review and Amendment**

This Policy shall be reviewed and reassessed periodically, being once in three years and appropriately update accordingly.

Any amendment or modification to the relevant Statutes, the Listing Regulations and any other applicable regulation relating to Related Party Transaction(s) shall automatically be deemed to be incorporated in this policy and be applicable to the Company.

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