



PATELS AIRTEMP (INDIA) LIMITED

(CIN No. L29190GJ1992PLC017801)

(Updated on 12TH NOVEMBER, 2022)

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

POLICY ON RELATED PARTY TRANSACTIONS

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time

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 and its shareholders. 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 Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Regulation 23**” or “**SEBI Listing Regulations**”) as amended from time to time, Patels Airtemp (India) Limited (“**the Company**”) has formulated guidelines for identification of related parties and related party transactions and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, the Company has framed this revised Policy on Related Party Transactions (“**Policy**”). This revised Policy has been approved by the Board of Directors of the Company based on recommendations of the Audit Committee at their respective meetings held on 12th November, 2022. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to approval by the Board.

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 read with Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

3.1 “**Act**” means the Companies Act, 2013 as amended from time to time;

3.2 “**Audit Committee**” shall mean the Audit Committee constituted by the Board of Directors of the Company from time to time, in accordance with the provisions of the Act and SEBI Listing Regulations.

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ISO 9001 : 2015 COMPANY



ASME "U" / "U2" / "S"
NATIONAL BOARD "NB" / "R"
MEMBER OF : HTRI - USA

CIN NO. L29190GJ1992PLC017801

- 3.3 “**Board of Directors**” or “Board” means the Board of Directors of the Company, as constituted from time to time, in line with the provisions of the Act and SEBI Listing Regulations.
- 3.4 “**SEBI Listing Regulations**” means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- 3.5 “**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;
- 3.6 “**Ordinary course of business**” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;
- 3.7 “**Relative**” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder and Regulation 2(1)(zd) of SEBI Listing Regulations;
- 3.8 “**Related Party**” shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.
- 3.9 “**Related Party Transactions**” shall mean such transactions as specified under the Act and the Rules made thereunder and Regulation 2(1)(zc) of the Listing Regulations, including any amendment or modification thereof, as may be applicable.

However, following shall not be considered as Related Party Transaction of the Company in terms of SEBI Listing Regulations:

- (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) payment of dividend by the Company;
 - (c) subdivision or consolidation of securities by the Company;
 - (d) issuance of securities by way of a rights issue or a bonus issue; and
 - (e) buy-back of securities.
- 3.10 “**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 Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.



3.11 “**Listed Subsidiary**” means a subsidiary of the Company which is a listed entity under SEBI Listing Regulations and to which Regulations 15(2) and 23 of SEBI Listing Regulations are applicable.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

4. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In an event, a Related Party Transaction, breaches the materiality threshold, prior approval of the shareholders of the Company will be required through resolution. Prior approval of shareholders is also required in case of any subsequent material modifications to the Related Party Transactions.

None of the related parties of the Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP’s can cast only negative vote to reject the shareholders resolution on material RPT).

Materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations shall be as provided in the Companies Act, 2013 and the Rules made thereunder and also in SEBI Listing Regulations from time to time.

5. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

5.1 Approval of the Audit Committee

A. Prior approval of the Audit Committee shall be required for:

1. All Related Party Transactions and subsequent material modifications;
2. RPTs where subsidiary is a party but the Company is not a party and the transaction amount exceeds subject to threshold of:

- i. 10% of the consolidated turnover of the Company w.e.f. April 1, 2022
- ii. 10% of the standalone turnover of the subsidiary w.e.f. April 1, 2023

as per the last Audited Financial Statements of the Company

B. Prior approval of the Audit Committee shall not be required for:

- i. Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- ii. Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.

iii. transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

iv. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

C. Members of the Audit Committee, who are Independent Directors, shall alone approve Related Party Transactions.

D. Omnibus approval

However, the Company may obtain omnibus approval from the Audit Committee for all Related Party Transactions subject to the following conditions :

1. The Audit Committee shall, after obtaining approval of the Board of Directors, shall include the following:
 - i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - ii. The maximum value per transaction which can be allowed;
 - iii. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - iv. review, at such intervals as the Audit Committee may deem fit, Related Party Transaction entered into by the Company pursuant to each omnibus approval made;
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - i. repetitiveness of the transactions (in past or in future);
 - ii. justification for the need of omnibus approval
3. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;
4. In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
5. The omnibus approval shall provide details of the name/s of the related party and its relationship with the Company or its subsidiary, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into.
6. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

7. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in Clause 4 of the Policy.
8. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 1. Transactions which are not repetitive in nature;
 2. Transactions exceeding materiality thresholds as laid down in Clause 4 of the Policy
 3. Transactions in respect of selling or disposing of the undertaking of the company
 4. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
 5. Any other transaction the Audit Committee may deem not fit for omnibus approval
9. A member of the Committee who has an interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered.

6. MATERIAL MODIFICATIONS

Audit Committee has defined “material modifications” as following:

Material Modifications of Related Party Transaction in relation to the Company means and include any modification to an existing related party transaction having variance of 25% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

7. 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.

Where any director is interested in any Related Party Transaction, such director will not remain present at the meeting when such Related Party Transaction is considered.

8. APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 of the Policy, are placed before the shareholders for approval.

For this purpose, none of the related parties of the Company shall vote to approve on such shareholders’ resolution irrespective of whether the entity is a related party to the particular transaction or not. (RP’s can cast only negative vote to reject the shareholders resolution of material RPT).

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm’s Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' prior approval for Material Related Party Transactions shall not be applicable for the following cases:

- i. transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
- ii. Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- iii. Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.
- iv. transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- v. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

9. INFORMATION TO BE REVIEWED BY THE BOARD/AUDIT COMMITTEE FOR APPROVAL OF RELATED PARTY TRANSACTION(S)

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the Related Party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments, nature of indebtedness; cost of funds; and tenure;



- iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
- g. Justification as to why the Related Party Transaction is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis;
- j. Any other information that may be relevant.

10. DISCLOSURES

- The Company shall disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- The Company shall also disclose in the Notes to the Financial Statements, details of related party transactions in terms of Indian Accounting Standards Ind AS – 24.
- The Company shall place all the information as specified by the SEBI from time to time for review of the Audit Committee for approval of the RPTs.
- The Company shall provide all the information as specified by SEBI from time to time in the explanatory statement in the notice being sent to shareholders seeking approval of proposed RPTs.
- The Company shall provide disclosure of the Related Party Transactions in the format as specified by the SEBI from time to time, to the stock exchanges and upload on company's website, every six months.
- The Company shall provide disclosure on 'Loans and advances' in the nature of loans to firms/companies in which directors are interested by name and amount' in the Corporate Governance Report.

11. 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.

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