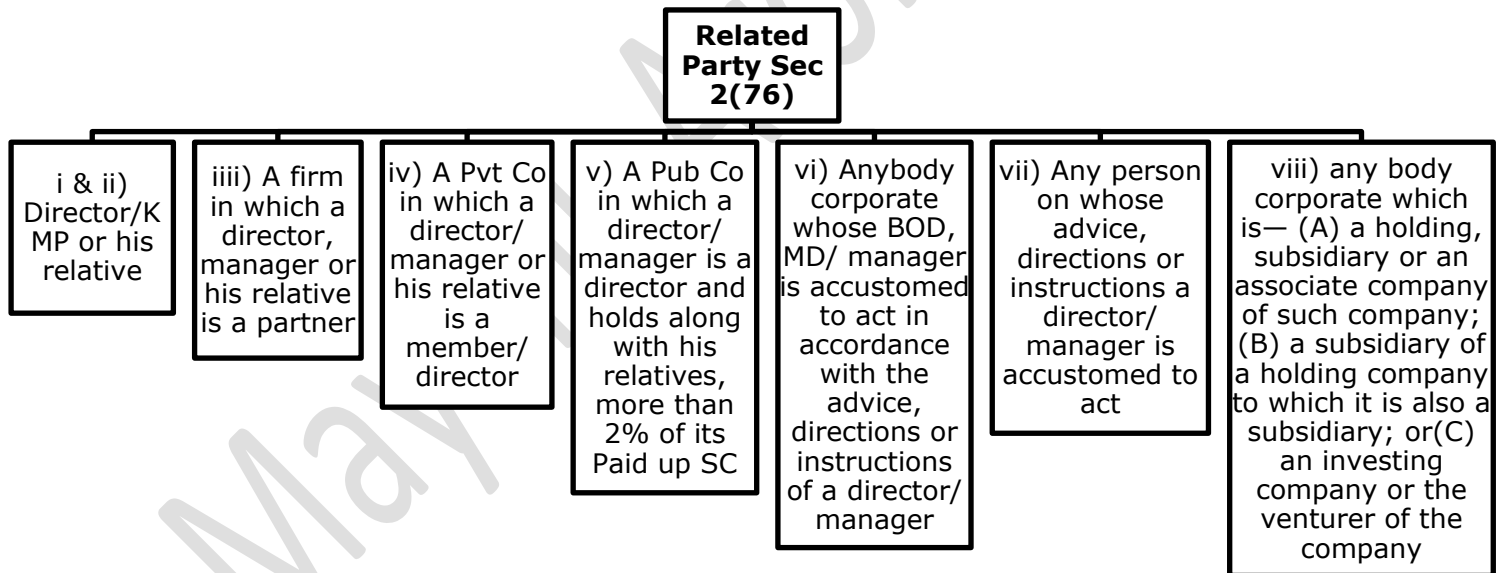


RELATED PARTY TRANSACTIONS

The Related Party Transactions (RPTs) can cause actual or potential conflict of interest between the company and its shareholders. Although not all RPTs are illegal, there are certain restrictions and requirements while undertaking RPTs. Whenever any Company is entering into any transaction, contract, arrangement etc, it has to comply with provisions of related party transaction. Following sections need to be complied:

1. Section 2(76)- Definition of Related Party
2. Section 188- Related Party Transaction
3. Listed Companies have to additionally adhere to Regulation 23 of SEBI(LODR) Regulations, 2015

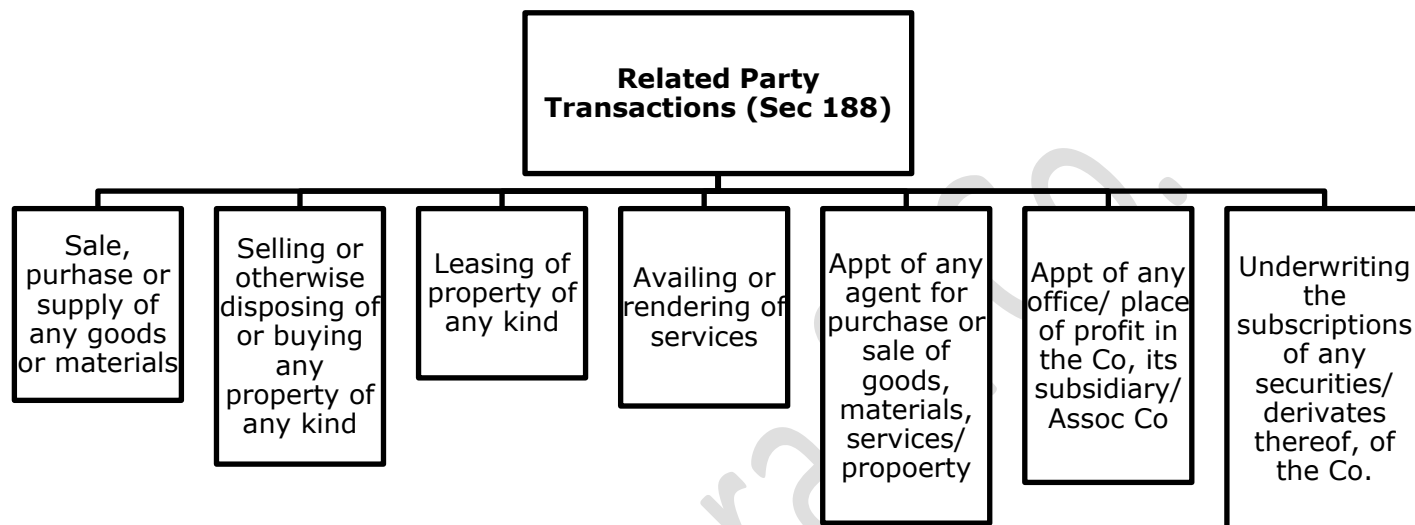
1. Definition of Related party:-



Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

For the purpose of sub clause (viii), "the investing company or the venturer 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.

2. Related Party Transactions:-



“office or place of profit” means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

NON APPLICABILITY OF THIS PROVISION:-

The above mentioned provisions will not be applicable in case of transactions entered into by the company in ***its ordinary course of business***, which are ***on arm’s length basis***.

“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. Listed Companies have to additional adhere to Regulation 23 of SEBI (LODR) Regulations, 2015

(1) The listed entity shall formulate a **policy on materiality** of related party transactions and on dealing with related party transactions.

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, **exceeds ten percent of the annual consolidated turnover** of the listed entity as per the last audited financial statements of the listed entity.

With effect from July 01, 2019 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 of the annual consolidated turnover** of the listed entity as per the last audited financial statements of the listed entity.

(2) All related party transactions shall require **prior approval of the audit committee**.

(3) Audit committee may **grant omnibus approval** for related party transactions proposed to be entered into by the listed entity.

(4) All **material** related party transactions shall require **approval of the shareholders** through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

(5) The provisions of sub-regulations (2), (3) and (4) shall **not be applicable** in the following cases:

(a) transactions entered into between two government companies;

(b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

(6) The provisions of this regulation shall be applicable to **all prospective transactions**.

(7) For the purpose of this regulation, all entities falling under the definition of related parties **shall not vote to approve the relevant transaction** irrespective of whether the entity is a party to the particular transaction or not.

(8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for **approval of the shareholders in the first General Meeting** subsequent to notification of these regulations.

(9) The listed entity 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.

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NATURE OF APPROVALS REQUIRED FROM COMPANY WHICH UNDERTAKES RELATED PARTY TRANSACTIONS

1. Approval of Board of Directors:-

- ❖ Every company needs to seek the approval by Board of Directors for entering into any related party transaction, irrespective of the capital of the company or the value of the transaction.
- ❖ Approval of the Board has to be sought at a duly convened meeting of the Board and not by passing of a resolution by circulation.
- ❖ Where any director is interested in any contract or arrangement with a related party, such director shall participate in the Board Meeting in which the contract or arrangement is discussed. As per Rule 15 of the Companies (Meeting of Board and its powers) Rules, 2014, where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

2. Prior approval of Members by means of resolution:-

- a. In the following circumstances, in addition to approval of Audit Committee & Board of Directors, prior approval of members by means of a **resolution** must also be sought before entering into any related party transaction:

Contract/Arrangement with related party with respect to	Threshold
Sale, purchase or supply of any goods or materials	10% or more of the turnover
Selling or otherwise disposing of, or buying, property of any kind	10% of net worth of the Company
Leasing of property of any kind	10% or more of the turnover
Availing or rendering of any	10% or more of the turnover
Appointment of any agent for sale, purchase or sale of goods, materials, services or property	10% or more of the turnover
<i>It is hereby clarified that the limits specified in sub clause (i) to (iv) shall apply to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i>	
Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.250,000

Underwriting the subscription of any securities or derivatives thereof, of the Company	Remuneration exceeding 1% of the net worth
<i>The turnover or the net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.</i>	

- b. No member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party. Nothing contained in the proviso shall apply to a company in which ninety per cent or more members, in number, are relatives of promoters or are related party.
- c. In case of wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

NON COMPLIANCE:

Where any contract or arrangement is entered into by a director or any other employee, **without obtaining the consent of the Board or approval by a resolution in the general meeting** and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

3. Omnibus Approval For Related Party Transactions On Annual Basis:

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely:

- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
 - i. Maximum value of the transactions, 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 of the omnibus approval made;
 - v. Transactions which cannot be subject to the omnibus approval by the Audit Committee.
- b. 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.
- c. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- d. The omnibus approval shall contain or indicate the following: -
- i. name of the related parties;
 - ii. nature and duration of the transaction;
 - iii. maximum amount of transaction that can be entered into;
 - iv. the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - v. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- e. Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- f. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- h. Any other conditions as the Audit Committee may deem fit.

DISCLOSURES TO BE MADE WITH RESPECT TO RELATED PARTY TRANSACTIONS

1. Disclosures to be made in notice of Board Meeting

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose:

- ❖ name of the related party and nature of relationship;
- ❖ nature, duration of the contract and particulars of the contract or arrangement;
- ❖ material terms of the contract or arrangement including the value, if any;
- ❖ any advance paid or received for the contract or arrangement, if any; and
- ❖ the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- ❖ whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- ❖ any other information relevant or important for the Board to take a decision on the proposed transaction.

2. Disclosure by interested directors:-

Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into

- ❖ with a body corporate in which such director or such director in association with any other director, holds more than 2% shareholding of that body corporate, or
- ❖ with a body corporate in which such director is a promoter, manager, Chief Executive Officer of that body corporate; or
- ❖ with a firm or other entity in which, such director is a partner, owner or member, as the case may be shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed.

Where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

3. Disclosures to be made in the explanatory statement to be annexed to notice of general meeting:-

- ❖ name of the related party ;
- ❖ name of the director or key managerial personnel who is related, if any;
- ❖ nature of relationship;

- ❖ nature, material terms, monetary value and particulars of the contract or arrangement;
- ❖ any other information relevant or important for the members to take a decision on the proposed resolution.

4. Disclosures to be made in Board's Report:-

Every related party transaction or contract shall be disclosed in the Board's report along with the justification for entering into such contract or arrangement.

5. Disclosures to be made in Register of contracts or arrangements in which directors are interested:-

Every company shall maintain one or more registers in **Form MBP 4**, and shall enter therein the particulars of contracts or arrangements with a related party with respect to transactions to which section 188 applies.

Mayank Arora & Co.

Company Secretaries

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MAYANK ARORA & Co.
COMPANY SECRETARIES

Date: 18th May, 2020