

Introduction

The Board of Directors of Mohite Industries Limited (the Company) has adopted the following Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions.

# Mohite Industries Limited

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

Definitions

1. "Related Party" means a person or entity that is related to the Company as defined in the Companies Act, 2013 and the Companies (Meetings of Board) Regulations, 2017 and the Companies (Share and Dividend) Regulations, 2017.

2. "Materiality" means the significance of a transaction to the Company, taking into account the nature and extent of the transaction, the financial position of the Company, and the nature of the transaction.

3. "Dealing with Related Party Transactions" means the process of identifying, evaluating, and approving or rejecting transactions with Related Parties.

4. "Independent Director" means a Director who is not a Related Party of the Company and is not related to any Related Party of the Company.

5. Any transaction with a Related Party that is not approved by the Board of Directors shall be void and of no effect.

6. The Board of Directors shall have the right to appoint any of its members or members of Management to act as a proxy or representative of the Company in any transaction with a Related Party, subject to the approval of the Board of Directors.

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## Introduction -

As per requirement of Section 177(4)(iv) and Section 188 of the Companies Act 2013 and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has adopted the following 'Policy on Materiality Of Related Party Transactions And on Dealing With Related Party Transactions'.

The objective of the Policy is to ensure proper approval, disclosures and reporting of Related Party Transactions between the Company and any of its the Related Party.

## Defination's -

1. '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.
2. 'Associate company' in relation to another company, means a company in which that other company has a significant influence but which is not a subsidiary company of the company having such influence and includes a joint venture company.  
Explanation: For the purposes of this definition, 'significant influence' means control of at least 20% of the total share capital, or of business decisions under an agreement.
3. '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.
4. '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.
5. 'Holding Company', in relation to one or more other companies, means a company of which such companies are subsidiary companies.
6. 'Interested Director' means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals, in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company other officer as may be prescribed.
7. '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.
8. 'Office or place of profit' means any office or place -



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

9. "Related party", with reference to a company, means—

- 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 2% 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;
- viii. Any company which is—
  - Holding, subsidiary or an associate company of such company; or
  - Subsidiary of a holding company to which it is also a subsidiary;
- ix. a director (other than an independent director) or key managerial personnel of the holding company or his relative.

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

10. "Relative", with reference to any person, means anyone who is related to another, if—

- They are members of a Hindu Undivided Family;
  - They are husband and wife; or
  - One person is related to the other in such manner as may be prescribed
- Rule 4 of the Definition Rules have prescribed the following persons who shall be deemed to be the relative of another, if he or she is related to another in the following manner;
- Father: term "Father" includes step-father;
  - Mother: term "Mother" includes the step-mother;
  - Son: term "Son" includes the step-son;
  - Son's wife;
  - Daughter;
  - Daughter's husband;
  - Brother: term "Brother" includes the step-brother;
  - Sister: term "Sister" includes the step-sister

11. "related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);



12. 'Subsidiary Company' or 'Subsidiary', in relation to any other company (that is to say the holding company), means a company in which the holding company –

- i. Controls the composition of the Board of Directors; or
- ii. Exercise or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies;

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purposes of this clause –

- A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- The expression 'company' includes an body corporate;
- 'layer' in relation to a holding company means its subsidiary or subsidiaries.

13. '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 financial year.

14. "Material Related Party Transaction" means a transaction with a Related Party where the transaction/transactions 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 Company as per the last audited financial statements of the Company.

Notwithstanding the above, 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 Company as per the last audited financial statements of the Company

#### **Process, Procedure And Review For Dealing With Related Party Transactions**

1. Prior approval of Audit Committee is required to be taken for entering into transactions with a Related Party. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions as prescribed in Listing Regulation (as amended from time to time).
2. Prior approval of the Board of Directors and shareholders is required to be taken before entering into related party transactions which are not in the ordinary course of business and not on an arm's length basis and are beyond the such limits as specified under Companies Act, 2013 and rules thereto.
3. 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.
4. Prior approval of Shareholders is required to be taken before entering into Material related party transactions irrespective whether the transaction is in ordinary course of business or not and related parties shall abstain from voting on such resolution as per Listing Regulations



### **Approval Of Related Party Transactions:**

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.

Further In case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (in past or in future);
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify the following:
  - Name(s) of the Related Party;
  - Nature of the transaction;
  - Period of transaction;
  - Maximum amount of transaction that can be entered into;
  - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - Such other conditions as the Audit Committee may deem fit.

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 Rs. 1 Crore per transaction. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. However, the Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

A member of the Committee who has a interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered. The Board would approve such Related Party Transactions as are required to be approved under the Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee. 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. To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction as may be required. In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis as if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;



- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present a conflict of interest for any Director, or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship; and
- any other factors the Board/ Audit Committee deem fit to consider.

Further, all Material Related Party Transactions shall require approval of shareholders of the Company through resolution (unless it is exempted pursuant to the provisions of Listing Regulations). All Related Party Transactions pursuant to Section 188 of the Act which are not in the ordinary course of business and / or not on an Arms' length basis and which crosses the threshold limits prescribed under the Act shall also require the approval of shareholders of the Company through resolution.

The voting rights of the interested and non-interested Related Parties shall be governed by the applicable provisions of the Act, Listing Regulations and any other applicable law, from time to time.

"Ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association. In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

## **DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

Every Related Party Transaction / contracts or arrangements that are:-

- material or
- not at arm's length basis and/ or ordinary course of business, shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction as per the requirement of the Act.

The various business heads, strategic sourcing department, department heads or any person authorized to enter into any transaction on behalf of the company shall not undertake any transaction with related party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary course of business and on an Arm's length basis.

The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

### **Amendments –**

The policy is subject to review as may be necessary and in accordance with any statutory /regulatory requirements

**Adopted by the Board of Directors of Mohite industries Limited**

