

# **MAHAAN FOODS Limited Related Party Transactions- Policy**

## **RELATED PARTY TRANSACTIONS - POLICY& PROCEDURES, 2014**

### **I. Preamble**

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interests of the Directors, Key Managerial Personnel, Senior Management etc. with the interest of the Company.

The Board of Directors (the "Board") of Mahaan Foods Limited (the "Company" or "MFL"), adopts the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules made thereunder and any subsequent amendments thereto (collectively referred to as the "Act") and Equity Listing Agreement entered with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

The applicable provisions of the Act and the Equity Listing Agreement are hereinafter collectively referred to as the "applicable laws".

### **II. Objective**

This Policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interests of the Company and its Stakeholders.

Provisions of this Policy are designed to govern the transparency of approval process and disclosure requirements to ensure fairness in the conduct of related party transactions in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of the Board ("Audit Committee") shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the applicable laws.

The Board of Directors reserves the power to review and amend this Policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the applicable laws including any modification/substitution/alteration thereto from time to time, and must be approved in the manner as may be decided by the Board of Directors.

### **III. Transactions Covered by this Policy**

Transactions covered by this Policy includes any contract or arrangement with a related party with respect to transaction/s defined hereunder as "Related Party Transaction". The Policy further provides for the procedure to be followed by the functional department/s, the Audit Committee, the Board of Directors and the Shareholders in respect of Related Party

Transactions entered into by the Company, including the Material Specific Transactions (as defined hereinafter).

#### **IV. Definition**

1. "Board" means the Board of Directors of the Company.
2. "Related Party" - A Related Party is a person or entity that is related to the Company.

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - (ii) such entity is a related party under the applicable accounting standards.
3. "Related Party Transactions" - A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, and shall include transactions specified in Section 188(1) of the Companies Act, 2013.

Explanation: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

4. "Material Specific Transactions" – Transaction/s 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 Company as per the last audited financial statements of the Company.
5. "Transactions on Arm's Length Basis" means a transaction between two related parties which is conducted in the manner/mode as if the said related parties were unrelated, so that there is no conflict of interest.
6. "Key Managerial Personnel" or "KMP" means:
  - (i) the Chief Executive Officer or the Managing Director or manager; or
  - (ii) the Company Secretary; or
  - (iii) the Whole-time Director; or
  - (iv) the Chief Financial Officer.

7. "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.*—"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement. Total Share Capital means the aggregate of the paid-up Equity Share capital and Preference Share capital.

Terms, other than those specifically defined in this Policy, shall have the meanings ascribed to them in the applicable laws, as amended from time to time.

#### **V. Details required for ascertaining related party**

The following details shall be required:

- i. Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1.
- ii. Declaration of relatives by all Directors and KMPs.
- iii. Declaration about a firm in which a Director/ Manager or his relative is a partner.
- iv. Declaration about a private Company in which a Director or Manager is a member or director.
- v. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of its paid-up share capital.
- vi. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
- vii. Declaration by Holding Company regarding its Directors/KMPs' and their relatives.
- viii. Details of 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 of the Company.
- ix. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no. viii & ix shall apply to the advice, directions or instructions given in a professional capacity.

- x. Details of any Company 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.

#### **VI. Identification of Potential Related Party Transactions**

Based on the information/documents as mentioned in Clause V hereinbefore, the Responsible Person (**i.e. the Company Secretary**) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies/other entities, identified on

the basis of the definition set forth in Definition Clause IV(2) & (3) above, alongwith their personal/company/entity details including any revisions/amendments/changes therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1<sup>st</sup> April every year.

RESPONSIBLE PERSON shall collate the information, coordinate and send the Related Party List to the concerned functional heads which may include MD, CEO, CFO, Business Heads, Branch Heads, the Finance & Accounts Department, Internal Audit Department, and Statutory Auditors and who s / he believes might be in the position to conduct or know of the possible conduct/outcome of Related Party Transactions.

Functional heads shall submit to the Company Secretary the details of proposed transaction/s well in advance, with details/draft contract/draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate or otherwise. Based on this, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee/Board of Directors and convey back the decision to the concerned functional head / originator. The suggested list of records and supporting documents is detailed separately in this policy.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, inter alia, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

## **VII. Review and Approval of Related Party Transactions**

As per approved terms of reference of Audit Committee by the Board, all Related Party Transactions, including all Material Specific Transactions must be reported/referred to the Audit Committee for its approval/ ratification in accordance with Clause VIII here in below.

Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and all Material Specific Transactions, shall be accompanied with Management's justification for the same. Before approving such transactions, the Audit Committee will look into the interest of the Company and its shareholders in carrying out the transactions and the related benefits. The Audit Committee may accordingly approve or modify such transactions in accordance with this Policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific Transactions and assure themselves that the same are in the interests of the Company and its shareholders. These Related Party

Transactions and Material Specific Transactions shall require prior approval from Shareholders by way of Special Resolution in a General Meeting, provided that no Shareholder of the Company if such a shareholder is a related party with reference only to the contract or arrangement for which the said Special Resolution is being passed shall vote on any such Special Resolution.

#### **VIII. Guidelines for Approval of Related Party Transactions.**

1. All Related Party Transactions shall require the prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
  - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
  - 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 (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount involved in a 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 transactions subject to their value not exceeding Rs.1 crore per transaction.
  - d. 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.
  - e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
2. The Audit Committee shall further, at the beginning of every financial year, set forth the criteria for categorizing Related Party Transactions as transactions in the ordinary course of business ("**Ordinary Course of Business**"). Related Party Transactions that do not qualify for omnibus approval as specified in paragraph 1 above, but are in the Ordinary Course of Business and on arms' length basis, shall be periodically approved by the Audit Committee (if the Committee deems fit) prior to entering into such transactions.
3. Transactions with Related parties which are not eligible for omnibus approval and are not in the Ordinary Course of Business or on arms' length basis shall be periodically approved by the Audit Committee (if the Committee deems fit) and further referred to the Board for its approval and recommendation to the shareholders for their approval by way of Special Resolution.

4. Material Specific Transactions shall be first approved by the Audit Committee, and thereafter, based on Audit Committee recommendations placed before the Board for its approval and recommendation to the Shareholders of the Company to be approved by them by way of Special resolution in a General Meeting, in accordance with the terms of this Policy.

The RESPONSIBLE PERSON shall ensure that details of such transactions are brought to the notice of the Managing Director and /or any other person so authorized and discussed with the Board at the next following meeting, as may be required.

Transactions being entered into with the related parties even though being in the ordinary course of business of the Company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the RESPONSIBLE PERSON to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

#### **IX. Related Party Transactions not Previously Approved**

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where it is required 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 and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the director concerned shall indemnify the Company against any loss incurred by it.

The Company/Board may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

#### **X. Registers & Disclosures**

Particulars of Contracts and arrangements with Related Party covered under this Policy requiring shareholders' approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this Policy applies and such register is placed/taken note of before/by the Board of directors.

Every director or key managerial personnel shall, within a period of thirty days of his/her appointment, or relinquishment of his/her office in other Companies, as the case may be, disclose to the Company/Board, through the RESPONSIBLE PERSON, the particulars relating to

his/her concern or interest in the other associations which are required to be included in the register maintained.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary of the Company or any other person authorized by the Board for the purpose.

#### Records relating to Related Party/ Supporting documents

##### **1. Rent Agreement**

- a. Copy of draft agreement.
- b. Quotation from a property dealer/ advisor in the area in which the property is located or a nearby area.
- c. If quoted prices are substantially lower / higher than existing, to seek second quotation.

##### **2. Purchase/ sale of property**

- a. Valuation reports from at least 2 independent valuers' to ascertain Fair Market Value.
- b. Quotations from 2 independent property dealers/brokers.
- c. Draft copy of agreement to sell/Draft of proposed sale deed.
- d. Brief terms and conditions and justification of such transaction.

##### **3. Purchase/sale of material, goods etc.**

- a. Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange /bills/ invoices etc.
- b. Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
- c. Quotation from un-related service provider.

##### **4. Availing/ Rendering Services**

- a. Copy of Agreement/ MOU/ Correspondence etc.
- b. Supporting documents justifying the transaction on arms length basis.
- c. If comparable are not available due to special nature of services, should be at par or on higher as compared to immediate previous years prices for rendering such services

##### **5. Loans/ Advances given or Taken**

- a. Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules hereunder.
- b. Agreements
- c. Statutory approvals wherever required

- d. Rate of Interest and justification for the same in view of nearest prevailing bank lending rate for the term of the Loans/Advances (wherever applicable).

**6. Subscription to shares/debentures/securities**

- a. Valuation Report or documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.

**7. Guarantee/ Securities**

- a. Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules hereunder.
- b. Agreements, Other documents justifying the same.

**8. Other transactions**

- 1) Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

Disclosures

- 1. Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.
- 2. The Company shall disclose the contract or arrangements entered into with the Related Party in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.
- 3. The Company shall disclose this Policy relating to Related Party Transactions on its website and a web link thereto shall also be provided in the Annual Report.