

# **Policy on Related Party Transactions**

Adopted on October 01, 2014  
First Revision on February 05, 2016  
Second Revision on April 01, 2019

**MUNJAL SHOWA LIMITED****Policy on Related Party Transaction**

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

**1. APPLICABILITY AND EFFECTIVE DATE**

This policy has been applicable to the company with effect from 1st October 2014, to regulate transactions between the company and its Related Parties based on the applicable laws, rules and regulations.

Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy and the revised Policy shall be effective from the date as mentioned in relevant Regulation, Act or any other applicable law for the time being in force.

**2. SCOPE AND PURPOSE OF THE POLICY**

This policy is framed as per requirements of Companies Act, 2013 read with the rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulation 23") and as amended from time to time and intended to ensure proper approval and reporting of transactions between the company and its Related Parties.

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 the light of the above, the Company has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

**3. 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, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

**4. DEFINITIONS**

- 4.1 "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 as defined in explanation (b) to section 188 (1) of the Companies Act, 2013.

- 4.2 "Audit Committee"** means the audit committee of the board constituted from time to time under Regulation 18 of SEBI (Listing, Obligations and Disclosure Requirements) Regulation, 2015 and section 177 of the Companies Act, 2013.
- 4.3 "Board"** means Board of Directors of Munjal Showa Limited.
- 4.4 "Company"** means Munjal Showa Limited.
- 4.5 "Key Managerial Personnel"** means Key Managerial Personnel (KMP) as defined in section 2(51) of the Companies Act, 2013 as under:
- a) The Chief Executive Officer or Managing Director or Manager;
  - b) The Company Secretary;
  - c) The whole-time director;
  - d) The Chief Financial Officer; and
  - e) Any other person as defined under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, from time to time.
- 4.6 "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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- 4.7 "Ordinary Course of Business"** includes but not limited to the term for activities that are necessary, normal and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:
- a) is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training etc...)
  - b) is frequent or regular
  - c) involves subsequent amount of money
  - d) is a source of income for your business
  - e) involves significant allocation of resources
  - f) is involved in a service or product that is offered to customers.
- 4.8 "Related Party"** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended.
- 4.9 "Related Party Transaction"** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, including but not limited to the following – a. sale, purchase or supply of any goods or materials; b. selling or otherwise disposing of, or buying, property of any kind; c. leasing of property of any kind; d. availing

or rendering of any services; e. appointment of any agent for purchase or sale of goods, materials, services or property; f. appointment to any office or place of profit in the company g. underwriting the subscription of any securities or derivatives thereof, of the company.

**4.10 “Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

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

## **5. MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a 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).

Provided that approval from shareholders will not be required for Material Related Party Transaction 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 recognize stock exchange within one day of the resolution plan being approved.

The Company has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 2% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements

However, the above mentioned limits can be increased subject to shareholders' approval.

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

## **6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

All related party transactions entered into with effect from 01.10.2014 shall be subject to the approval of the Audit Committee in accordance with the policy. The approval of the Audit Committee can be granted by the way of circulation also.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy.

After the approval of the Audit Committee and Board, the Company shall place the Agenda to the shareholders for their approval, if required.

### **6.1 Approval of the Audit Committee- Mechanism**

The following details/information shall be provided to the Audit Committee for entering into Related Party Transaction(s):

- a) name of the related party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b) particulars of the contract or arrangement including material terms of and the value, if any
- c) any advanced paid or received for the contract or arrangement, if any
- d) manner of determining the pricing (indicative base price/ current contracted price and formulae for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of contract;
- e) 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
- f) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

### **6.2 Omnibus Approval**

Audit Committee may grant the omnibus approval for Related Party Transactions subject to the following conditions:

1. Transactions are **frequent/ regular/ repetitive** in the nature and are in the normal course of business of the company.
2. Audit Committee shall satisfy itself the need for such omnibus approval in the best interest of the company.
3. Omnibus approval shall specify:
  - a) The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - b) The indicative base price/ current contracted price and the formula for variation in the price, if any, and
  - c) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

*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 rupees one crore per transaction.*

4. 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.
5. The omnibus approval shall be valid for the period not exceeding one year and shall require fresh approval after the expiry of one year from the date of approval.

### **6.3 Consideration by the Audit Committee**

While approving, the Audit Committee may, inter-alia, consider the following factors:

- a) All relevant facts and circumstances including the terms of transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party;
- b) Whether the terms of the Related Party Transactions are in ordinary course of the Company's business and are on an arm's length basis, at the time of entering into transactions;
- c) Business reasons for the company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d) whether the Related Party Transactions would affect the independence or present the conflict of interest for any Director of KMP of the company;
- e) Director or KMP shall not participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the Director / KMP shall provide all material information concerning the Related Party Transaction to the audit committee;
- f) any other matter the audit committee deems relevant.

### **6.4 Approval of the Board and Shareholders - Mechanism**

#### **A. Approval of the Board of Directors**

- a) If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- b) All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board shall consider and approve the related party transaction at a meeting.
- c) Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

#### **B. Approval of shareholders**

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 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 on 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.

**Exemptions:**

- 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. Transactions entered into between two government companies;
- iii. 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.

Transactions that, require previous approval of Shareholders of the Company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers ) Rules, 2014, includes the transactions/ contracts/ arrangements as follows :

S. No.	Specified RPT (s) u/s 188(1) of the Company's Act, 2013	Threshold limits for approval of Shareholders
a)	Sale, purchase or supply of any goods or materials	Exceeding 10% of the turnover of the company or rupees 100 crore, <i>whichever is lower.</i>
b)	Selling or otherwise disposing of, or buying property of any kind	Exceeding 10% of net worth of the Company or rupees 100 crore, <i>whichever is lower.</i>
c)	Leasing of property of any kind	Exceeding 10% of net worth of the Company or 10% of turnover of the company or rupees 100 crore, <i>whichever is lower</i>
d)	Availing or rendering of any service	Exceeding 10% of the turnover of the company or rupees 50 crore, <i>whichever is lower.</i>
e)	Appointment of any agent for purchase or sale of goods, materials, services or property	As limit prescribed in clause a, b and d, in case resulted into appointment of agent
f)	Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding rupees 2.50 lakhs
g)	Underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

**Explanation(s):**

- Limits specified in sub-clause a) to d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

No member of the company shall vote on special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party for such contract or agreement.

## 6.5 Details to be provided to the Board and Shareholders

The following information shall be provided to the **Board** for approval of Related Party Transaction(s)-

- a. The name of the related party and the nature of relationship;
- b. The nature, duration of the contract and particulars of the contract or arrangement;
- c. The material terms of the contract or arrangement including the value, if any;
- d. Any advance paid or received for the contract or arrangement, if any;
- e. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as a part of contract;
- f. 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
- g. Any other information relevant or important for the Board to take a decision on the proposed transaction.

The following information shall be provided to the **Shareholders** for approval of Related Party Transaction(s)-

- a. Name of the related party;
- b. Name of the Director or KMP who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement;
- e. Any other information relevant or information for the members to take a decision on the proposed resolution.

## 6.6 Summary of the approval mechanism under SEBI (LODR), Regulations, 2015 and the Companies Act, 2013

Details of Transaction(s)	Approving authority
All Related Party Transactions and any subsequent modification	Audit Committee
<b>RPTs</b> at 6.4 A above which are not in Ordinary Course of Business or not on arm's length basis or both (less than threshold limits)	Approvals and recommendation by Audit Committee to the Board and Approval by the Board.
<b>RPTs</b> at 6.4.B above which are not in Ordinary Course of Business or not on arm's length basis or both(beyond threshold limits)	Approvals and recommendation by Audit Committee to the Board;  Approvals and recommendation by the Board to the shareholders and
All Material Related Party Transaction	Approval by the Shareholders.



## **7. RATIFICATION OF RELATED PARTY TRANSACTIONS**

- a. If prior approval of Audit Committee/ Board/ Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee/ Board/ Shareholders, if required, within 3 (three) months of entering in the Related Party Transactions.
- b. In case Related Party Transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is within a Related Party to any Director, or is authorized by any other Director, or is authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.
- c. In any case where either the Audit Committee/ Board/ Shareholders determines not to ratify a Related Party Transition that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee/ Board/ Shareholders has authority to modify or waive any procedural requirements of this Policy in the best interest of the company.

## **8. DISCLOSURES**

- a. Every contract or arrangement entered with Related Parties with the approval of Board/ Shareholders in line with section 188 of the Companies Act, 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- b. 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.
- c. Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- d. 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
- e. Name of all related parties & nature of relationships & details of all related party transactions should be disclosed in the financial statement as per Accounting Standard 18
- f. The company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party requires removal of the Board.

## **9. REVIEW OF THE POLICY**

The adequacy of this Policy shall be reviewed and reassessed by the Committee once in three years and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.