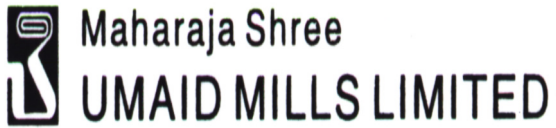


This document intends to ensure that all related party transactions with related parties shall be subject to this policy and approval or ratification in accordance with law.

## Policy on Related Party Transactions



Effective Date: 01.11.2014

Approval Date: 30.10.2014

Version No.: 2.0

Approved By: Board of Directors

Policy Owner : [●] Audit Committee

<b>Subject: Related Party Transaction Policy</b>	Original Issue Date: 30.10.2014	Effective Date: 01.11.2014
	Revision Date: 13.02.2016	Policy No.: 2.0

<b>Base Document</b>	:	Companies Act, 2013
<b>Initial Document Prepared by</b>	:	Mr. P.K Ojha
<b>Functional aspects Checked by</b>	:	Mr. P.K Ojha
<b>Governing Guideline/Policy</b>	:	Companies Act, 2013

### **Policy on Related Party Transactions**

## **MAHARAJA SHREE UMAID MILLS LIMITED**

### **POLICY ON RELATED PARTY TRANSACTIONS**

The Board of Directors (the “Board”) of Maharaja Shree Umaid Mills Limited (the “Company”) has adopted this Policy on Related Party Transactions (“the Policy”), as required in terms of Clause 49 of the Listing Agreement at its meeting held on October 30, 2014.

In view of the status of an unlisted company by virtue of the delisting of the shares of the Company from all the stock exchanges w.e.f 02.02.2015, the Board had further revised the Policy on 13.02.2016.

The Board or the Audit Committee of the Board (“Audit Committee”), subject to confirmation by Board, may review and amend this policy from time to time.

#### **EFFECTIVE DATE**

This Policy shall become effective from the date of its adoption by the Board.

#### **CLARIFICATIONS, AMENDMENTS AND UPDATES**

This Policy shall be implemented as per the provisions of the Applicable Law. Any amendments in the Applicable Law, including any clarification/ circulars of relevant regulator, shall be read into this Policy such that the Policy shall automatically reflect the contemporaneous application of Applicable Law at the time of its implementation.

All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them, in the Applicable Law under reference, that is to say, the Companies Act, 2013 and Rules framed thereunder, as amended, from time to time.

#### **PURPOSE**

The Board recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof. Therefore, the Board has adopted this Policy to ensure that all Related Party Transactions with Related Parties shall be subject to this policy and approval or ratification in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, determination of materiality, approval and reporting of such Related Party Transactions.

This revised Policy on Transactions with Related Parties (Policy) has been framed as per the requirements of Rule 6A of the of the Companies (Meetings of Board and its Powers) Rules, 2014 which has been inserted vide the Companies (Meeting of Board and its Powers) Second Amendment Rules, 2015 and is intended to ensure proper approval and reporting of the transactions between the Company and its Related Parties.

## **DEFINITIONS**

1. **“Applicable Law”** means the Companies Act, 2013 and the rules made thereunder including any statutory modifications and re enactment thereof.
2. **“Company”** means Maharaja Shree Umaid Mills Limited
3. **“Compliance Officer”** means an officer of the Company as appointed by the Board to oversee Related Party Transactions, by whatever name called.
4. **“Key Managerial Personnel”** means
  - (i) the Chief Executive Officer or the managing director or the manager;
  - (ii) the company secretary;
  - (iii) whole-time director;
  - (iv) the Chief Financial Officer
5. **“Material Related Party Transactions”** means such Related Party Transaction or Transactions to be entered into either individually or taken together with the previous transactions during a financial year, value whereof exceeds the thresholds as mentioned in Rule 15 of Companies (Meeting and Powers of Board) Rules, 2014, computed on the basis of audited financial statement of the preceding financial year or such other threshold as may be laid down from time to time by Applicable Law.
6. **“Relative(s)”** shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013 and the Rules made thereunder.
7. **“Related Party”** means any person or entity who is:
  - (i) a related party under Section 2(76) of the Companies Act,2013 read with rules issued thereunder; or
  - (ii) Any other person or entity as may be covered under Applicable Law from time to time.
8. **“Related Party Transaction”** means such contracts or arrangements with a Related Party as specified in Applicable Law from time to time.
9. Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- (i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- (ii) Reimbursement of expenses incurred by a Related Party for business purpose of the Company.
- (iii) Reimbursement of pre-incorporation expenses incurred by a Related Party as approved by the Board of Directors.
- (iv) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- (v) Any transaction which is in the ordinary course of business and on an arms' length basis as determined in terms of this Policy
- (vi) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and must be approved in advance by the Audit Committee.

All terms not defined herein shall take their meaning from the Applicable Laws.

#### **POLICY STATEMENT**

1. Subject to the following provisions, all the Related Party Transactions proposed to be entered into by the Company shall require the approval of the Audit Committee, including those transactions proposed to be entered in the ordinary course of its business.
2. All the contracts/ arrangements prescribed under Section 188(1) of the Companies Act, 2013 and within the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, which are not in the ordinary course of business of the Company or on an arm's length basis shall, in addition to the approval of the Audit Committee, also require prior approval of the Board of Directors of the Company.
3. All the Material Related Party Transactions exceeding the threshold limits as prescribed under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall require approval of the Audit Committee, prior approval of the Board and the shareholders of the Company by way of an Ordinary Resolution and the related parties interested in such transaction shall abstain from voting in such resolution.

Further, the aforementioned requirement of shareholder's approval shall not apply if the transaction is entered into with wholly owned subsidiaries whose accounts are consolidated with the Company.

4. However, it is clarified that all Such Related Party Transactions, as are specified, and exceeding the threshold limits prescribed under Rule 15(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, which are in the ordinary course of business and also on an arm's length basis, will only require the approval of the Audit Committee.

#### **A. Identification of Related Parties**

The Compliance Officer shall at all times:

- a) Identify and keep on record Company's Related Parties, along with their personal/company details..
- b) The Compliance Officer shall identify such managers, departmental heads and such other employees (Designated Employees) who are responsible for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company along with the approval thresholds for entering into transactions with such listed Related Parties.
- c) The Compliance Officer shall also set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees as specified in (b) above.
- d) The record of Related Parties shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.
- e) The record of Related Parties and the Designated Employees identified for reporting the related party transactions shall be placed before the Audit Committee [*semi-annually*]
- f) With regard to Immaterial Transactions (value of which is not more than 1 crore per transaction), internal systems may be created to ensure that the Designated Employees approving the transactions are not related to the contracting parties and alternative approving authorities are put in place. The internal systems shall be placed before the Audit Committee and shall be circulated amongst all Designated Employees for effective monitoring of all Related Party transactions whether Immaterial Transactions or otherwise.

#### **B. Procedures for review and approval of Related Party Transactions**

- (a) Subject to the threshold limits specified below, all Related Party Transactions or changes therein must be referred for approval by the Audit Committee in accordance with this Policy.
- (b) The threshold limits for approvals will be as follows:

- i. The transactions for which omnibus approval of the Audit Committee has already been sought will not require approval of the Audit Committee for each transaction entered into pursuant to the same. Where the need/purpose of the transactions to be entered into with Related Parties cannot be foreseen and details related to name of the party, nature of transaction, maximum amount of transaction, indicative base price / current contracted price and the formula for variation in the price and such other parameters as may be laid down by the Audit Committee, are not available at the time of taking such approval, the omnibus approval for such transactions shall be granted subject to their value not exceeding Rs.1 crore per transaction (**Unforeseen Transactions**). Further, such transactions shall be reported to the Audit Committee quarterly.
  - ii. All transactions with Related Parties for which no omnibus approval has been accorded as above, shall require approval of Audit Committee.
  - iii. Where Related Party transactions have been entered into prior to such transactions being placed before the Committee reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee.
  
- (c) Related Party Transactions that are not in ordinary course of business but on arm's length basis the Audit Committee shall recommend the transaction for approval of the Board.
  
- (d) Related Party Transactions that are not on arm's length basis shall not be approved by Audit Committee and shall be recommended to the Board for appropriate action.
  
- (e) The Audit Committee shall mandatorily review the statement of all related party transactions submitted by management.
  
- (f) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
  
- (g) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Law or as mentioned in Point 3 above, the Board shall ensure that the same be put up for approval by the shareholders of the Company.
  
- (h) If approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction

shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.

- (i) In any case where either the Audit Committee /Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, 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 for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy.
- (j) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.
- (k) No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.
- (l) If a Related Party Transaction will be ongoing, the Board / Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Board, on at least an annual basis, shall review and assess on-going relationships with the Related Party to ensure that they are in compliance with the Applicable Laws and this Policy and that the Related Party Transaction remains appropriate.
- (m) All Related Party Transactions or changes therein must be referred for approval by the Audit Committee in accordance with this Policy.
- (n) Where Related Party transactions have been entered into prior to such transactions being placed before the Committee reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee.
- (a) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party



Transaction, together with a summary of material facts, to the Board for its approval.

- (b) In any case where either the Audit Committee / Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, 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 for ratification after determining following:
  - a. that the Related Party Transaction requiring ratification is on terms no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances; and
  - b. the extent of the Related Person's interest in the transaction.

In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy.

- (c) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.
- (o) In addition, the Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- (p) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

**C. *Omnibus Approval by the Audit Committee***

- (a) For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals based on the following:
  - a. Frequency of the transactions in the last [3] years;
  - b. Volumes of transactions undertaken with such Related Party. The maximum value of the transactions, per transaction or in aggregate, per related party, shall not exceed the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, in case the Related Party Transactions.

- c. Disclosure of the following matters to the Audit Committee at the time of seeking omnibus approval in a manner so as to enable effective decision making :
  - a. Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought.
  - b. Contractual terms offered by third parties for similar transactions
  - c. Adherence to any conditions on the contractual terms with such Related Parties for instance floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.
- d. Such omnibus approval shall specify the following:
  - 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 or current contracted price and the formula for variation in the price, if any;
  - c. The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and
  - d. such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for Immaterial Transactions.

- e. Where the Audit Committee is not convinced on the need for granting omnibus approvals, the Audit Committee may reject the proposal placed before it with reasonable explanation for the same.
  - f. Notwithstanding the generality of foregoing, Audit Committee shall not grant omnibus approval for following transactions:
    - a. Transactions which are not in ordinary course of business or not on arm's length basis;
    - b. Transactions in respect of selling or disposing of the undertaking of the Company;
    - c. Transactions which are not in the interest of the Company;
    - d. Such other transactions specified under Applicable Law from time to time.
- (d) Where the Audit Committee has granted omnibus approval for certain transactions, the transactions will be put for review before the Audit Committee quarterly in every financial year.

- (e) Where the Audit Committee elects any issue for the review of the Board or the Board *suo-moto* decides, such a Related Party Transaction, together with a summary of material facts, shall be placed to the Board for its approval.
- (f) Exceptions allowed under Applicable Laws to Related Party Transactions may be exempted from the scope of this policy subject to the discretion of Audit Committee.

#### **D. Standards for Review**

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;
- (c) contractual terms for the Related Party transactions and whether the same are comparative with the market standards and whether beneficial to the company.
- (d) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (e) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (f) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- (g) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (h) 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;
- (i) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction and
- (j) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- (k) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- (l) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee / Board deems relevant.
- (m) required public disclosure, if any; and

- (n) any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / shareholders, as applicable, in light of the circumstances of the particular transaction.

The Audit Committee / Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee / Board, as applicable, may approve / ratify / recommend to the shareholders, the Related Party Transaction only if the Audit Committee / Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee / Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

**E. *Determination of Ordinary Course of Business***

- (i) A transaction shall be deemed to be “in the Ordinary Course of Business” of the Company, if:

A. Any of the following conditions are met:

- a. The transaction, including, but not limited to sale or purchase of goods or property, or acquiring or providing of services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing or availing of any guarantees or collaterals, or receiving or providing any financial assistance, or issue, transfer, acquisition of any securities, is in the normal routine of the Company’s business; or
- b. The transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner;

AND

B. The transaction is not

- a. an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements;
- b. Any sale or disposal or any undertaking of the Company, as defined in explanation (i) to clause (a) of sub-section (1) of section 180 of Companies Act, 2013.

- (ii) In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such

contract/ arrangement is germane to attainment of the main objects as set out in its Memorandum of Association.

- (iii) The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.

These are not exhaustive criteria and the Audit Committee may assess transactions, considering its specific nature and circumstances.

#### **F. Determination of Arms' length nature of the Related Party Transaction**

- (i) The following illustrative tests may be used by the Audit Committee for ascertaining arm's length nature of contracts / arrangements that may be entered into by the Company with related parties, or any modification, variation, extension or termination thereof: -
- a. The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
  - b. The contracts/ arrangements have been commercially negotiated.
  - c. The pricing is arrived at as per the rule/guidelines that may be issued by or acceptable for the purpose of Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961, as applicable to any of the contract/ arrangements contemplated under the Companies Act, 2013, and the Rules framed thereunder.
  - d. The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties.
  - e. Such other criteria as may be issued under Applicable Law.
- (ii) Further, in order to determine the optimum arm's length price, the Corporation may also apply the most appropriate method from any of the following methods as prescribed under Section 92C(1) of the Income Tax Act, 1961 read with Rule 10B of the Income Tax Rules, 1962 -
- a. Comparable Uncontrolled Price method (CUP method)
  - b. Resale Price Method
  - c. Cost Plus Method
  - d. Profit Split Method
  - e. Transactional Net Margin Method
  - f. Other Method as prescribed by the Central Board of Direct Taxes

#### **G. Disclosures**

(a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting, in the following manner:

1. All Material Related Party Transactions; and
2. All Related Party Transactions not entered into at arm's length basis

(b) The Company shall keep one or more registers as specified under Applicable Law giving separately the particulars of all contracts or arrangements with any related party.

Date: Kolkata

Place: