

MMTC LIMITED : CORPORATE OFFICE: NEW DELHI

(CIN: L51909DLI963GOI004033)

RELATED PARTY TRANSACTIONS – POLICY & PROCEDURE, 2014

(Effective October 01, 2014)

I. PREAMBLE

MMTC Limited (the "Company" or "MMTC"), adopted the following policy and procedures with regard to Related Party Transactions as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013, the Rules made thereunder and any subsequent amendments thereto (the "Act"), Accounting Standard – 18 issued by ICAI and clause 49 of Listing Agreement with the Stock Exchanges, in order to ensure the transparency and regulation of such transactions. The Audit Committee of Directors reserves the power to review and amend this policy from time to time.

II. OBJECTIVE

This policy is intended to ensure proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures 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.

III. DEFINITIONS

For the purposes of this policy, the following definitions apply:

- 1) **"Audit Committee or Committee"** means Committee of Boards of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.
- 2) **"Board"** means the Board of Directors of the Company.
- 3) **"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.
- 4) **"Key Managerial Personnel"** includes
 - (i) The Chairman cum Managing Director;
 - (ii) The Whole-time Director;
 - (iii) The Company Secretary and
 - (iv) The Chief Financial Officer (Director(Finance))

5) **"Related Party"** means related party as defined in revised Clause 49 of the Listing Agreement which is as follows:

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

(1) Such entity is a related party under Section 2(76) of the Companies Act, 2013 such as:

- (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 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 two per cent 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:

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

- (viii) any Company which is—
 - (1) A holding, subsidiary or an associate Company of the Company; or
 - (2) A subsidiary of a holding Company to which it is also a subsidiary;
- (ix) **a director or key managerial person of the holding company or his relative** shall be deemed to be a related party.

(2) Such entity is a related party under the applicable Accounting Standard, such as: As per AS-18, Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions.

6) **"Relatives"** - with reference to any person, means anyone who is related to another, if -

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other in the following manner, namely: -
 - i. Father (including step father);
 - ii. Mother (including step mother);
 - iii. Son (including step-son);
 - iv. Son's wife;
 - v. Daughter;
 - vi. Daughter's husband;
 - vii. Brother (including step-brother);
 - viii. Sister (including step-sister).

- 7) **"Related Party transactions"** - transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

For the purpose of Section 188 of the Companies Act, 2013:

- (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) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company;

For the purpose of Clause 49 of the Listing Agreement and AS-18:

Transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

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

- 8) **"Material Related Party Transactions"** . For the purpose of Clause 49(VII) (C) of the Listing Agreement means those transactions entered into with the Company by a related party, 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.
- 9) **"Transaction on arm's length basis"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- 10) **"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 Convertible Preference Share capital.
- 11) **"Joint venture"** - a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

IV. PROCEDURES

Details required for ascertaining Related Party

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1 **(Annexure - I)**.
2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director, Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. 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.
8. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing shall apply to the advice, directions or instructions given in a professional capacity.

9. 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.

Identification of Potential Related Party Transactions

The Board Secretariat shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definitions aforesaid, along with their personal/company details including any revisions therein. The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

The Board Secretariat shall collect the information, coordinate and put out the Related Party List on MMTC Intranet and also submit to CMD/ directors on quarterly basis to enable the concerned Divisions to comply with the requirement of obtaining the necessary approval as and when required in respect of transactions entered into by them with any of the Related Party.

Review and Approval of Related Party Transactions

(A) Under clause 49 (VII) of the Listing Agreement :

- a) **Prior approval of Audit Committee:** All Related Party Transactions shall require prior **approval of the Audit Committee of Directors**. 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:

- i. 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.
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- iii. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of 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.

- iv. Audit Committee shall review, atleast on quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

The **agenda of the Audit Committee** at which the item is proposed to be moved shall disclose-

- a. the name of the related party and 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 part of the 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 Audit Committee to take a decision on the proposed transaction.

b) Approval of shareholders: All material related party transactions shall require **approval of the shareholders through special resolution** and the related parties shall abstain from voting on such resolutions.

The requirement of approval of Audit Committee / Shareholders, shall not be applicable in the following cases:

- (i) Transactions entered into between two government companies;
- (ii) 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.

Explanation: For the purpose of Clause 49(VII), all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

(B) Under Section 188 of the Companies Act, 2013:

- (a) **Prior approval of Board of Directors:** Prior approval of the Board by a resolution in a board meeting is required for all contracts/arrangements/transactions :
- (i) Which are not in ordinary course of business or
 - (ii) Which are in the ordinary course of business but not on arm's length basis

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

- a. the name of the related party and 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 part of the 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.

Where any director is interested in any contract or arrangement with a related party, such director should not be present at the meeting during discussions on the agenda item relating to such contract or arrangement.

- (b) **Prior approval of shareholders:** In case the value of transaction(s) for sale, purchase or supply of any goods or materials exceeding 10% of the turnover of the company as per Audited Financial Statements of the preceding Financial Year or Rs 100 crore or the value of transaction for availing or rendering of any services Rs 50 cr, whichever is lower, either individually or taken together with the previous transactions during the financial year, prior approval of the company (shareholders) by a special resolution shall be obtained. Hence, approval of the Board shall first be obtained before seeking approval of shareholders. No member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party. Further, the **explanatory statement** to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:-

- a. name of the related party ;
- b. name of the director or key managerial personnel 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 important for the members to take a decision on the proposed resolution

All the transactions which may be entered into with a related party shall be made in the ordinary course of business and on arm's length basis. In exceptional cases where business transactions are not on arms length basis and is required to be undertaken in the interest of the company, approval of ACD / Board / shareholders as may be applicable shall be obtained as prescribed in the policy. The Director (Finance) and Director (Marketing) shall jointly decide, whether the transactions are on arm's length or not after considering terms and conditions of the proposed transaction. The internal auditors shall examine the entire documentation and certify the same.

Related party transactions details

The Finance & Accounts Department shall continue to submit a summary of transactions with related party on quarterly basis to Audit Committee for review in its quarterly meetings.

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 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 directors concerned shall indemnify the company against any loss incurred by it.

The Company 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.

V. DISCLOSURES

1. Details of contract(s) or arrangement(s) have to be disclosed in the Board's Report along with the justification as per Form AOC-2. **(Annexure – II)** (Place the said form before Audit Committee for its review and then to the Board as part of Directors' report for approval). Necessary actions to be taken by Board Secretariat well in time.
2. While filing form AOC-4 **(Annexure – III)** i.e. filing of financial statement and other documents with the Registrar, disclosure about related party transactions in segment-D of AOC-4 shall be made in the prescribed form by the Board Secretariat Department of the Company.
3. The Board Secretariat Department of the Company shall keep a register in Form MBP – 4 **(Annexure – IV)** [Pursuant to Section 189(1) and rule 16(1)] giving the particulars of all contracts or arrangements in such manner and containing particulars and after entering the particulars, the same shall be authenticated by the Director (Finance) and

the Company Secretary of the Company and thereafter the same shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

4. Necessary disclosures shall also be made in the Annual Financial Statements as required under AS 18. Further, as required under Clause 49 of Listing Agreement, necessary details of all materially significant related party transactions', which may have potential conflict with the interests of the Company at large, be also given in 'Report on Corporate Governance' section in Annual Report.
5. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance by Board Secretariat Department of the Company.
6. The company shall also disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

In respect of matters not specifically dealt with hereinabove, the latest provisions of the Companies Act, 2013 and rules made there under and provisions of listing agreement entered into by the Company with the Stock Exchanges including latest guidelines issued by SEBI/Government on the subject shall be applicable.

ANNEXURE-I

FORM MBP - 1

Notice of interest by director

[Pursuant to section 181 (1) and rule 9(1)]

To
The Board of Directors
MMTC Limited

Dear Sir(s)

I,, son/daughter/spouse of, resident of, being a director in the company hereby give notice of my interest or concern in the following company or companies, bodies corporate, firms or other association of individuals:-

Sl No.	Names of the Companies /bodies corporate/ firms/ association of individuals	Nature of interest or concern / Change in interest or concern	Shareholding	Date on which interest or concern arose / changed

Place:

Signature:

Date:

**MD/Director/Secretary/Whole
time Director**

FORM NO. AOC-2

Form for Disclosure of Particulars of Contracts/Arrangements entered into by the Company with Related Parties Referred to in Sub-Section (1) of section 188 of the Companies Act, 2013 including Certain Arms Length Transactions under Third Proviso thereto

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis :
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts/arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
 - (e) Justification for entering into such contracts or arrangements or transactions
 - (f) date(s) of approval by the Board
 - (g) Amount paid as advances, if any:
 - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. Details of material contracts or arrangement or transactions at arm's length basis
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts/arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
 - (e) Date(s) of approval by the Board, if any:
 - (f) Amount paid as advances, if any:

Form shall be signed by the persons who have signed the Board's report.

FORM NO. AOC-4

Form for filing financial statement and other documents with the Registrar

Segment D—Disclosure About Related Party Transactions

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto :

1. Details of contracts or arrangements or transactions not at arm's length basis:

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts/arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any
- (e) Justification for entering into such contracts or arrangements or transactions
- (f) Date(s) of approval by the Board
- (g) Amount paid as advances, if any:
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. Details of material contracts or arrangement or transactions at arm's length basis:

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts/arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
- (e) Date(s) of approval by the Board, if any:
- (f) Amount paid as advances, if any: