



## **MINDA INDUSTRIES LIMITED**

### **RELATED PARTY TRANSACTION POLICY**

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#### **1. Preamble**

Minda Industries Limited (the “Company” or “MIL”) recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stakeholders’ best interests. Accordingly, the Board of Directors (the “Board”) of the Company has adopted the policy and procedures with regard to Related Party Transactions as mentioned in this document.

The policy defines the procedure - for transactions between the Company and its Related Parties based on the applicable laws and regulations.

#### **2. Purpose**

The related party policy, with effect from 1 April, 2014 was framed in accordance with the applicable provisions of Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 subsequent to that the Companies Act, 2013 as well as SEBI has issued the clarifications and amendments in the Sections/rules and listing clauses. With a view to incorporate the above clarification/amendments (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014). The policy describes the procedure to be followed along with the reporting and disclosure requirements for the transactions entered between the Company and its Related Parties. Such transactions shall be deemed appropriate only if they are in the best interest of the Company and its shareholders. The Company, as per statutory requirements, needs to disclose related party transactions in its Financial Statements along with the policies framed to regulate such transactions.

#### **3. Policy**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

##### **3.1 Identification of related parties**

The Company has established appropriate internal processes for identification and updating the list of Related Parties as prescribed under Section 2(76) of the Companies Act 2013 read with the Rules framed there under, Clause 49 of listing Agreement and Accounting Standard-18 (refer Annexure-I).

### **3.2 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. Board/ Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/ Board has adequate time to obtain and review information about the proposed transaction.

### **3.3 Procedure for approval of related party transactions**

#### **❖ Approval of the Audit Committee**

All Related Party Transactions shall require 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:

- 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
  - 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. such other conditions as the Audit Committee may deem fit;

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

- iv. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;
- v. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

❖ **Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

Related Party register shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

❖ **Approval of the Shareholders of the Company**

All Material Related Party Transactions will be placed before the shareholders for approval.

For this purpose, 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.

Clause 49(VII)(E) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not in the ordinary course of business or not at arm's length basis; and
- (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 (for thresholds limit- refer below) are placed before the shareholders for its approval.

### **Related party limits**

In the Companies Act the transaction wise limit has been prescribed which ranges 10% of turnover or 10% of net worth or Rs. 100 crore.

The threshold are summarized below-

Sl No	Description of Transaction	Threshold Limits
1	Sale, purchase or supply of any goods or materials	Exceeding ten per cent. of the turnover of the company or rupees one hundred crore, whichever is lower
2	Selling or otherwise disposing of or buying property of any kind	Exceeding ten per cent. of net worth of the company or rupees one hundred crore, whichever is lower
3	Leasing of property of any kind	Exceeding ten per cent. of the net worth of the company or ten per cent of turnover of the company or rupees one hundred crore, whichever is lower
4	Availing or rendering of any services	Exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower
5	Appointment to any office or place of profit in the company	Exceeding two and half lakh rupees
6	Remuneration for underwriting the subscription of any securities or derivatives	Exceeding one per cent. of the net worth

### **3.4 Review and Approval of Related Party Transactions**

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis 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 affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the directors, Key Managerial Personnel or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

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 Board to approve the Related Party Transaction, then 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.

Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

Notwithstanding the foregoing, the following Related Party Transactions shall not require prior approval of Audit Committee or Shareholders:

- i. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- ii. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel 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.
- iii. 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.

### **3.5 Documents /Supporting papers required to prove the transactions are at Arm Length Basis.**

As the aspect of Arm Length Basis already exists in the system (because of the requirement of Domestic Transfer Pricing under Income Tax Act) therefore the list of Documents & mechanism has been prepared by considering the DTP requirements as per the Annexure-II and Annexure-III attached herewith.

## **4. Disclosures**

Related Party Transactions or contract or arrangement entered shall be disclosed in the following manner:

- i. Every contract or arrangement, which is not in ordinary course of business or not on arms length basis, shall be disclosed in the Board's report to the shareholders along with justification for entering into such contract or arrangement.
- ii. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance; and
- iii. The policy shall be disclosed on the website of the Company [www.mindaroup.com](http://www.mindaroup.com) and a web link thereof shall be provided in the Annual Report every year.

## **5. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or

termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy. This Policy will be communicated to all operational employees and other concerned persons of the Company.

## **6. Policy Review**

In case of any subsequent changes in the provisions of the Companies Act, 2013 or Listing Agreement, or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy.

This updated policy on dealing with Related Party Transactions is approved by the Board of Directors on this 14th day of February, 2015.

## **Definitions and Regulatory Framework**

### **Definitions**

**“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

**“Arm’s Length Transaction (‘ALP’)**” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

**“Board”** means Board of Directors of the Company.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**“Chief Executive Officer (CEO)”** means an officer of the Company as defined in Section 2(18) of the Act;

**“Chief Financial Officer (CFO)”** means a person of the Company as defined in Section 2(19) of the Act;

**“Company Secretary (CS)”** means a Company Secretary as defined in Section 2(24) of the Act;

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-Time Director;
- iv. the Chief Financial Officer; and
- v. such other officer as may be prescribed.

**“Managing Director”** means Managing Director as defined in Section 2(54) of the Act;

**“Material Related Party Transaction”**, transaction entered into individually or taken together with previous transactions during a financial year, exceeds ten percent (10%) of the annual consolidated turnover of the company as per the last audited financial statements.

**“Ordinary Course of Business (‘OCB’)**” means a transaction which is:

- ✓ carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time, or
- ✓ historical practice with a pattern of frequency, or
- ✓ common commercial practice, or
- ✓ meets any other parameters / criteria as decided by the Board/Audit Committee.

**"Policy"** means Related Party Transaction Policy.

### **"Related Party"**

Part-I As prescribed in the listing Agreement Clause 49 VII is reproduced below:

#### **VII. Related Party Transactions**

A. 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.

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

B. For the purpose of Clause 49 (VII), 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.

C. The company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

Provided that a transaction with a related party shall be considered material if 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.

D. All Related Party Transactions shall require prior approval of the Audit Committee.

Part-II As prescribed in the Companies Act, 2013 is reproduced below:

1. A person or a close member of that person's family is related to a company if that person:
  - a. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- 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 or 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 under 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 or instructions given in a professional capacity;
  - viii. 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 ;
  - ix. Director or key managerial personnel of the holding company or his relative with reference to a company; or
- b. has control or joint control or significant influence over the company; or
- c. is a key management personnel of the company or of a parent of the company; or

Part-III As prescribed in the Accounting Standard-18 is reproduced below:

3. The Accounting Standard-18 deals only with related party relationships described in

(a) to (e) below:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;

(c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;

(d) key management personnel and relatives of such personnel; and

(e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major

shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

## Related Party Transaction

Part-I As prescribed in the Listing Agreement is reproduced below:

**Clause 49 VII A. 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.

Part-II As prescribed in the Companies Act, 2013 is reproduced below:

188. (1) (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:

Part-III As prescribed in the Accounting Standard is reproduced below:

**10.2 Related party transaction** - a transfer of resources or obligations between related parties, regardless of whether or not a price is charged.

**“Relative”** means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –

- i. They are members of a Hindu Undivided Family;
- ii. They are husband and wife;
- iii. Father (including step-father);
- iv. Mother (including step-mother);
- v. Son (including step-son);
- vi. Son's wife;
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

“**Whole-time Director**” means Whole-time Director as defined in Section 2(94) of the Act;

“**Transaction**” shall be construed to include single transaction or a group of transactions in a contract;