

**POLICY NAME: RELATED PARTY TRANSACTIONS POLICY**

Document Type	General	Validity	Until further amended
---------------	---------	----------	-----------------------

Version	Created By	Checked By	Approved By	Date of Release
Version 1.01	Shivarama Adiga S, VP Legal & CS	Yusuf Lanewala, CMD	Board of Directors	Feb 6, 2015, Effective from Oct 1st 2014
Version 1.02				

"This document is confidential to Mindteck. The information contained herein is not to be distributed, Revealed or disseminated outside the company to any other party without the prior expressed consent and written permission of Mindteck India."

The Board of Directors (the "Board") of Mindteck (India) Limited (the "Company") has adopted this Policy on Related Party Transactions ("the Policy"), as required in terms of Clause 49 of the Listing Agreement effective from 1st October 2014.

#### PURPOSE

The Board recognizes that certain sales, purchases, payments, receipts and other transactions (hereinafter referred to as "transactions") present a heightened risk of conflicts of interest or the perception thereof. Therefore it has adopted this Policy to ensure that 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, approval and reporting of such Related Party Transactions. Currently there is no Related Party Transactions (RPT) entered into by the Company, except those transaction entered with its wholly owned subsidiaries.

#### DEFINITIONS

1. "**Applicable Law**" means the Companies Act, 2013 and the Rules made thereunder, the Listing Agreement and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
2. "**Compliance Officer**" means an officer of the Company as appointed by the Board.
3. "**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.
4. **“Material Related Party Transactions”** means such Transactions entered into individually or taken together with previous Related Party Transaction during a Financial Year, exceeds 10% (ten percent only) of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company with Related Party.
5. **“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 and the Listing Agreement. Accordingly **“Relative”** 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) They are related to another in the following manner:
    - a. Father (including step-father)
    - b. Mother ( including step-mother)
    - c. Son ( including step-son)
    - d. Son’s wife
    - e. Daughter
    - f. Daughter’s husband
    - g. Brother ( including step-brother)
    - h. Sister (including step-sister)
6. **“Related Party”** means related party as defined in Clause 49 of the Listing Agreement which is as follows :
- A ‘related party’ is a person or entity that is related to the company. An entity shall be considered as related to the Company if:
- (a) such entity is a related party under Section 2 (76) of the Companies Act, 2013 with reference to a company, means:
    - (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 or his relative 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) anybody 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 :

- (viii) Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
  - (ix) 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 ;
  - (x) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company; or
- (b) such entity is a related party under the applicable accounting standards.
7. **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party that are subject to the provisions of Applicable Law and shall include the following:
- a. Purchase of raw materials, finished goods and fixed assets
  - b. Sales of finished goods
  - c. Cost contribution (Management Fees)
  - d. Consulting service
  - e. Business Support service
  - f. Rent paid/received
  - g. Interest income on inter corporate loans
2. Notwithstanding the foregoing, the following Related Party Transactions does not require the approval of Board or Shareholders, but requires the approval of Audit Committee:
- (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) Any transaction which is in the ordinary course of business and on an arms’ length basis as determined in terms of this Policy
  - (iii) Any transaction 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
  - (iv) 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.

## POLICY STATEMENT

### A. Procedures for review and approval of Related Party Transactions

- (a) All Related Party Transactions or changes therein must be reported to the Compliance Officer, who shall refer same for prior approval by the Audit Committee in accordance with this Policy. 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
    - the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
    - the indicative base price/current contracted price and the formula for variation in the price if any and
    - such other conditions as the Audit Committee may deem fit;
  - (iv) 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.1.00 Crore per transaction.
  - (v) 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.
  - (vi) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"
- (b) The Audit Committee will also undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require further 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.
- (c) If the Board is of the view that the Related Party Transaction needs to be approved at a General Meeting of the shareholders pursuant to Applicable Law, the same shall be put up for approval of the shareholders of the Company.
- (d) If prior 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. If prior approval of the Audit Committee / Board / General Meeting for entering into a Related Party Transaction is not ratified within 3 months such Transactions shall be voidable.
- (e) 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 the authority to modify or waive any procedural requirements of this Policy.
- (f) 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.
- (g) 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.

- (h) If a Related Party Transaction is an ongoing transaction, 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 / Audit Committee, at least on an annual basis, shall review and assess the ongoing relationships with the Related Party to ensure that they are in compliance with the Act and rules made thereunder, the Listing Agreement and this Policy and that the Related Party Transaction remains appropriate.
- (i) 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.
- (j) Nothing in this Policy shall override any provisions of Applicable Law made in respect of any matter stated in this Policy.

## **B. 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) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (d) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- (e) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (f) 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;
- (g) 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
- (h) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- (i) 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
- (j) 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.
- (k) required statutory and public disclosure, if any; and
- (l) any other information regarding the Related Party Transaction or the Related Party in the

- (m) 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.

### **C. Determination of Ordinary Course of Business**

**“In the Ordinary Course of Business”** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the Objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity in a normal organised manner for determining what is in the ordinary course business.

### **D. Determination of Arms’ length nature of the Related Party Transaction**

#### **(a) Price Determination**

At the time of determining the arms’ length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms’ length pricing as per Applicable Law.
- (ii) Audit Committee shall be entitled to rely on professional opinion in this regard for the aforesaid purpose.

#### **(b) Underwriting and Screening of arms’ length Related Party Transaction**

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening/selection criteria/underwriting standards and procedures as may be applicable in case of an unaffiliated party.

#### **(c) Related Party Transaction limits:**

- (i) The Related Party Transaction must be within the lower of the following transaction limits with respect to any Related Party:
  1. Limits on Material Related Party Transactions; and
  2. Expected transaction volumes based on past transactions with Related Parties using linear rate of growth as evidenced by past data.
- (ii) Credit limits extended to the Related Party must be usual as for unaffiliated parties.

If the Audit Committee is of the opinion that the Related Party Transaction meets the aforesaid criteria of Ordinary Course of Business and the Arms’ Length nature, such Related Party Transaction are not treated as a material Related Party Transaction which requires the approval of Board and

Shareholder for the purpose of this Policy. However, necessary approval of Audit Committee needs to be obtained and disclosures as per applicable AS may be made in the Financial Statement.

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

- (a) Each director/Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer, in consultation with other members of management and with the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- (b) Every director/Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a transaction entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the transaction is discussed and shall not participate in or exercise influence over any such meeting.
- (c) Where any director/Key Managerial Personnel, who is not so concerned or interested at the time of entering into such transaction, he shall, if he becomes concerned or interested after the transaction is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- (d) A transaction entered into by the company without disclosure or with participation by a director/Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the transaction, shall be voidable at the option of the Company.
- (e) Any director/Key Managerial Personnel who has been convicted of the offence dealing with related party transactions at any time during the last preceding five years shall be disqualified for appointment as director/Key Managerial Personnel, as the case may be.
- (f) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matters incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances, however.

#### **F. Disclosures**

- (a) The Company is required to disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.

- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- (c) The Company shall keep one or more registers giving separately the particulars of all t with any related party.

**G. Amendment**

- (a) This policy shall stand amended in terms of the Companies Act, 2013, the Rules made thereunder, and the Listing Agreement, as amended from time to time. The Board or the Audit Committee may review and amend this policy from time to time.
- (b) Any amendment to this policy shall be in writing and become effective only when the same approved by the Board.