



## **MASTER TRUST LIMITED**

### **RELATED PARTY TRANSACTION POLICY**

#### **Preamble**

The Board of Directors (the "Board") of Master Trust Limited (the "Company" or "MTL"), has adopted the following policy and procedures with regard to the Related Party Transactions as defined below. The Audit Committee shall review and may propose amendments to this policy as may be required.

The policy will be applicable to the Company. This policy is to regulate transactions between the Company and its related parties based on the laws and regulations applicable on the company. This policy shall become effective from 14<sup>th</sup> day of November 2014.

#### **Objective**

This policy is framed as per the requirement of Revised Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges ("Listing agreement") and intended to ensure the proper approval and reporting of transaction between the Company and its Related Parties as determined under Listing Agreement, Companies Act, 2013 and rules prescribed thereunder ("Act"), and any other laws and regulations as may be applicable to the Company.

The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policy relating thereto. The Related Party Transaction Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

#### **Definitions**

**"Arm's Length Transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

**"Associate"** means a Company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and by

Accounting Standard (AS) 18, "Related party disclosures".

**"Audit Committee or Committee"** means the Committee of the Board formed under section 177 of the Act and Revised Clause 49.

**"Board"** means Board of Directors of the Company.

**"Control"** means control as defined in Section 2 (27) of the Act and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**"Key Managerial Personnel"** shall mean the officers of the Company as defined in Section 2(51) of the Act.

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

**"Material Related Party Transaction"** means a transaction with a related party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**"Related Party"** as defined under Revised Clause 49 is as under—

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.

Section 2(76) of the Companies Act, 2013, as referred above, defines Related Party 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 2% 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; [Except advice, directions or instructions given in a professional capacity]

(vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act.[Except advice, directions or instructions given in a professional capacity]

(viii) Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary.

(ix) A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.

**"Relative"** with reference to any person, means who is related to another, if:-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are Husband or wife or
- (iii) One person is related to the another in the following manner, namely:-
  - a) Father, includes step-father.
  - b) Mother, includes step-mother.
  - c) Son, includes step-son.
  - d) Son's wife.
  - e) Daughter.
  - f) Daughter's husband.
  - g) Brother, includes step-brother.
  - h) Sister, includes step-sister.

### **"Related Party Transactions"**

As defined under Revised Clause 49, means to include 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.

As per Section 188 of the Act, shall means contracts or arrangements with related party with respect to :-

- 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.

"Collectively the Related Party Transaction shall constitute the above."

Transactions in "**ordinary course of business**" shall mean and include-

- ✧ Transactions that are entered in the normal and usual course of business and are identical to the business of the company.
- ✧ Transactions that are reasonable in the context of the business of the company.
- ✧ Transactions that are part of the standard industry practice.

### **Identification of Related Party**

Each director and Key Managerial Personal is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as "related Party" by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

### **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.

### **Terms of the Policy**

- 1) All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.
- 2) All the Related Party Transactions proposed to be entered shall require prior approval of the Audit Committee. The Audit Committee shall accordingly recommend the Related Party Transaction for the approval of Board of Directors/ Shareholders as per the terms of this policy.
- 3) All the Related Party Transactions prescribed under Section 188 of Companies

Act, 2013 and within the threshold limits prescribed under rule 15 sub rule(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, shall alongwith the prior Audit Committee Approval shall also require approval of the Board of Directors.

4) All the Material Related Party Transactions and Related Party Transactions, exceeding the threshold limits prescribed under rule 15 sub rule(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of Special Resolution.

5) However, Related Party Transactions which are either not at arm's length or not undertaken in the ordinary course of business shall require the prior approval of the Audit Committee, Board of Directors and the Shareholders by way of special resolution in order to allow the Company to enter into arrangements/transactions/contracts with related party of the Company as per the prescribed provisions of Companies Act, 2013 alongwith the rules made thereunder and the Listing Agreement.

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

All related party transactions must be reported to the Audit Committee for its prior approval in accordance with this policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

#### **(A) Approval of Audit Committee**

1. All Related Party Transactions shall require prior approval of the Audit Committee.
2. Audit Committee shall have all rights to call for information/documents in order to understand the scope of the proposed related party transactions.
3. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:
  - a) The Audit Committee shall lay down the criteria for granting 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;
  - b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

- c) Such omnibus approval shall specify the following:
  - Name(s) of the Related Party;
  - Nature of the 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.
- d) In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;
- e) 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;
- f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

4. All material related party transactions will be placed for approval of the shareholders of the Company through special Resolution and the related parties shall abstain from voting on such resolutions.

5. An RPT entered into without prior approval of the Committee shall not be deemed to violate this policy or invalid or unenforceable so long as the transaction is brought to this committee as promptly as reasonably practical after it is entered into or after it become reasonably apparent that this transaction is covered by this policy.

### **(B) Approval of Board of Directors**

1) If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

2) Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the

resolution relating to such related party transaction.

**(C) Approval of Shareholders**

All the Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution. The related parties referred here (as covered under Revised Clause 49) shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

The '**Related Party**' referred here has to be construed with reference only to the contract or arrangement for which, the said special resolution is being passed. Thus, the term '**Related Party**' in the given context, refers to only such related party as may be a related party in the context of the contract or arrangement for which, the said resolution is being passed.

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

A) Sale purchase or supply of any goods or materials, directly or through appointment of agent, exceeding 10% of the turnover of the company or Rs. 100 crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;

B) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding 10% of net worth of the company or Rs. 100 crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;

C) Leasing of property of any kind exceeding 10% of the net worth of the company or 10% of turnover of the company or Rs. 100 crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188 of Companies Act, 2013;

D) Availing or rendering of any services, directly or through appointment of agent, exceeding 10% of the turnover of the company or Rs. 50 crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013.

These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

E) Appointment to any office or place of profit in the company, its subsidiary

company or associate company at a monthly remuneration exceeding Rs. 2,50,000 as mentioned in clause (f) of sub-section (1) of section 188; or

F) Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth as mentioned in clause (g) of sub-section (1) of section 188

G) However, In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

### **Transaction not requiring approval of Audit Committee, Board or Shareholders**

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

A) 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.

B) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all holders of such securities receive the same benefits pro rata as the Related Party.

### **Transaction not requiring approval of Board or Shareholders**

Pursuant to clarification provided in circular No.30/2014 dated 17th July, 2014 of Ministry of Corporate Affairs, Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.

### **Criteria for approval of a Related Party Transaction by the Board / Audit Committee**

1) To review a Related Party Transaction, the Board / Audit 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.



The information provided to the Audit Committee and Board of Directors shall specifically cover the following:

- 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;
- G) the persons/authority approving the transaction; and
- H) any other information relevant or important for the Committee/Board of Directors to take a decision on the proposed transaction.

2) In determining whether to approve a Related Party Transaction, the Board/Audit Committee shall consider the following factors, amongst others, to the extent relevant to the Related Party Transaction:-

- A) Whether the transaction is in the ordinary course of business of the company.
- B) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party.
- C) Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- D) Whether the Related Party Transaction would affect the independence of the directors/KMP;
- E) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- F) Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- G) 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 director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

## **Disclosures**

1) Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

- a) With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement 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.

2) All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.

3) The Company shall maintain Register pertaining to Related party transactions in the prescribed form.

4) The related party transaction entered into with the related party/ies shall be disclosed in the Director Report / Annual Report as per the disclosure requirement of the Act and clause 49 of the Listing Agreement.

5) The company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.

6) Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance., as required under listing agreement.

## **Ratification**

1) Any Related Party Transaction entered into without obtaining the prior approval of the Audit/ Board/ Shareholders(respective authority/ies) may be ratified, subject to the applicable provisions of the Companies Act, 2013 and the Listing Agreement, if post review of the said transaction / contract, the appropriate

authority is satisfied, that the said Related Party Transaction is not detrimental to the interest of the Company, however, the appropriate authority may also ratify such transaction or contracts, with or without the modification(s).

2) Where any contract or arrangement is entered into, without obtaining the consent of the Audit Committee, Board or approval by a Special Resolution in the General Meeting 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 contractor arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.

3) If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority.

4) However the Related Party transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority as refer to in 10(3) of this policy, the applicable provisions of the Companies Act, 2013 and Listing Agreement, shall apply.

### **Amendments to the Policy**

1) The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

2) In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the company at **[www.mastertrust.co.in](http://www.mastertrust.co.in)**.