

MODERN INDIA LIMITED

Related Party Transactions Policy

Preamble

The Company may enter into transactions with related parties from time to time. Such transactions are considered appropriate only if they are in the best interest of the Company and the stakeholders.

The Board of Directors of the Company has adopted this policy with regard to Related Party Transactions as defined herein. This policy is intended to ensure the proper approval, disclosure / reporting of the transactions between the Company and related parties. The Audit Committee of the Company will review this policy periodically and may recommend changes/ amendments as deemed appropriate, to the Board.

The policy is in compliance with various provisions of the Companies Act, 2013 ("the Act") and Rules thereunder and clauses of the Listing Agreement with the Stock Exchange, where the securities of the Company are listed.

This Policy covers the following:

- Definition of Related Party
- Transactions which are deemed as related party transactions
- Nature of approvals required
- Disclosure norms
- Exemptions/Non-applicability
- Consequences of non-compliance

Definition of Related Party

Related Party with reference to the Company, includes:

- (i) a director or his relative;
- (ii) a key managerial personnel (KMP) 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;
- (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;
 - (c) such other person as may be prescribed;

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

"Relative" with reference to any person, means any one 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 such manner as may be prescribed;

Transactions which are deemed as related party transactions

Any transaction between the Company and a Related Party relating 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) 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:

Explanation:

"Office or place of profit" means any office or place:

- (i) *where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;*
- (ii) *where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;*

Nature of approvals required

All the transactions including modification of transactions, if any, shall be approved by the Audit Committee and Board of Directors of the Company and in some cases by the Shareholders in the General Meeting.

Approval of Audit Committee

In accordance with Section 177 of the Act Companies Act, 2013, the Audit Committee shall review and approve the transactions and any subsequent modification of transactions of the Company with Related Parties. The Audit Committee has also have the power to grant omnibus approval for related party transactions to be entered into by the Company subject to conditions as enumerated in SEBI circular CIR/CFD/POLICY CELL.7/2014 dated September 15, 2014.

Approval of Board of Directors

- a) Consequent to the approval of the Audit Committee, the Board of Directors shall review the transactions which are deemed as related party transactions, irrespective of the capital of the company or the value of the transaction, to ensure that the transactions(s) are not in any way prejudicial to the interests of the Company.
- b) Approval of the Board should be sought at a duly convened meeting of the Board and same cannot be obtained by passing of a resolution by circulation.
- c) Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

Approval of Members by means of special resolution

In the following situations, in addition to approval of the Audit Committee and the Board of Directors, prior approval of members by means of a special resolution must also be sought before entering into any related party transaction where the transaction or transactions to be entered into are -

- (a) contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of Section 188 of the Companies Act, 2013 with criteria, as mentioned below -
 - i. sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 25% of the annual turnover;
 - ii. selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding 10% of net worth;
 - iii. leasing of property of any kind exceeding 10% of the net worth or exceeding 10% of turnover;
 - iv. availing or rendering of any services directly or through appointment of agents exceeding 10% of the net worth.
- (b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees;
- (c) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth.

Explanation - The turnover or net worth referred to above shall be on the basis of the Audited Financial Statement of the preceding Financial year.

No member of the company shall be allowed 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.

In case of a 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.

Disclosure norms

Disclosures to be made in notice calling Board Meeting:

- (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.

Disclosures to be made in the explanatory statement to be annexed to notice of general meeting:

- (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.

Disclosures to be made in Board's Report/ Corporate Governance Report:

Every related party transaction or contract shall be disclosed in the Board's report along with the justification for entering into such contract or arrangement.

Disclosures to the Stock Exchanges

On quarterly and annually basis.

Exemptions/ Non-applicability

This policy will not be applicable in case of transactions entered into by the company in its ordinary course of business, which are on arm's length basis.

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

Consequences of non-compliance

If any related party transaction or contract is entered without seeking Board's and/or Members' approval and if the same is not ratified by the Board and/or Members as the case may be, within 3 months at a meeting, then the contract or transaction will be voidable at the option of the Board and if the transaction is between any Related Party and any director or is authorised by any other director, then the concerned directors are liable to indemnify any loss incurred by the company.

Additionally, the Company may also proceed against a director or employee who had entered into such contract or arrangement in contravention of the provisions of this policy for recovery of any loss sustained by the Company as a result of such contract or arrangement. Besides the actions taken by the Company as above, any director or any other employee of a Company, who enters into or authorises the contract or

arrangement in violation of the provisions of this policy may also be liable to punishment and punitive action under the provisions of the Companies Act, 2013.

Records / Registers:

Company shall keep one or more registers giving separately the particulars of all contracts or arrangements. The Register(s) shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

The Register(s) shall be kept at the registered office of the Company and shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the Company shall be furnished by the Company to such extent, in such manner, and on payment of such fees as may be prescribed.

The Register(s) shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.