



MODERN INDIA LIMITED

Policy on Related Party Transactions

Preamble

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”) and as amended from time to time, Modern India Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”).

The objective of this Policy is to set out

- (a) the materiality thresholds for related party transactions and;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

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

“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



“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

“Related Party” have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended.

“Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder

“Related Party Transaction” have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –

- 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. appointment to any office or place of profit in the company
- g. underwriting the subscription of any securities or derivatives thereof, of the company

“Material Related Party Transaction” means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. In case of payment to a Related Party for brand usage or royalty the



materiality threshold will be 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “

Any other term not defined herein shall have the same meaning as defined in the Companies Act,2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

THRESHOLDS LIMITS TO DETERMINE THE MATERIALITY OF TRANSACTIONS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT). Provided that approval from shareholders will not be required for Material Related Party

Modern India Limited has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 2% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

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

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

1. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
 - Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - The maximum value per transaction which can be allowed;
 - extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - transactions which cannot be subject to the omnibus approval by the Audit Committee
2. The omnibus approval shall provide details of
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into,
 - (ii) basis of arriving at 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 transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹1 crore per transaction.

3. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.



4. Any other conditions as the Audit Committee may deem fit
5. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each omnibus approval given
6. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 1. Transactions which are not at arm's length or not in the ordinary course of business
 2. Transactions which are not repetitive in nature
 3. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy
 4. Transactions in respect of selling or disposing of the undertaking of the company
 5. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
 6. Any other transaction the Audit Committee may deem not fit for omnibus approval

Approval of Board of Directors

- a) 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.
- b) 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.
- c) 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.
- d) 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 Shareholders by means of special resolution

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for approval. For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

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

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

However, the requirement of shareholders' approval for Material Related Party Transactions shall not be applicable for the following case:

- 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

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

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold on a quarterly basis to the stock exchanges

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.

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.

Review of Policy:

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.