

Policy
On
Materiality
Of
Related Party Transactions
&
also on dealing with
Related Party Transactions

(effective from 01st December, 2015)

MONNET

Steel | Power | Mining

1. PREAMBLE

This Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transaction is prepared and adopted to build a framework for the Related Party Transactions of **Monnet Ispat & Energy Limited**, in accordance with the requirement of regulation 23 of SEBI (listing obligations and Disclosure requirements) Regulations, 2015 read with the provisions of the Companies Act, 2013 and relevant rules made thereunder; as amended from time to time. This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws and regulations.

2. PURPOSE OF THE POLICY

Regulation 23(1) of Listing Regulation requires that all listed Companies shall formulate their policy on materiality of related party transactions and also on dealing with Related Party Transactions, to ensure the proper approval and reporting of transactions between the Company and its related parties. This Policy is also prepared for identification and regulation of the Related Party Transactions keeping in view the provisions of the Companies Act, 2013 and the Rules thereunder.

In light of the above, the Company is required to make various disclosures of its related party transactions before the Audit Committee, Board of Directors and Shareholders, as the case may be. Further, the company is required to give disclosures in its Board Report, Financial Statement and other specified documents on specified tenures.

3. APPLICABLE DEFINITIONS

- 4.1. **“Act”** means Companies Act, 2013;
- 4.2. **“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;
- 4.3. **“Board”** means the Board of Directors of Monnet Ispat & Energy Limited;
- 4.4. **“Company”** means Monnet Ispat & Energy Limited;
- 4.5. **“Interested Director”** means a Director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which he or any of his relatives is a partner, Director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a Company;

- 4.6. “Key Managerial Personnel or KMP”** means key managerial personnel as defined under the Companies Act, 2013 and includes:
- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time Director;
 - (ii) Company Secretary; and
 - (iii) Chief Financial Officer;
- 4.7. “Listing Regulations”** means SEBI (listing obligations and Disclosure requirements) Regulations, 2015;
- 4.8. “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 ten percent of the annual consolidated turnover as per the last audited financial statements of the Company;
- 4.9. “Related Party transactions”** means Contract or arrangement as defined under section 188 of the Companies Act, 2013 and the rules made thereunder with a related party;
- 4.10. “Policy”** means this Policy on materiality of related party transactions and also on dealing with Related Party Transactions;
- 4.11. “Rules”** means the Company (Meetings of Board and Its Powers) Rules, 2014;
- 4.12. “Related Party”** means related party as
- An entity related to the Company if:
- (i) such entity is related party under Section 2(76) of the Companies Act, 2013; or
 - (ii) such entity is a related party under the applicable accounting standards;
- 4.13. “Relative”** means relative as defined under the Companies Act, 2013. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:
- i. they are members of a Hindu undivided family;
 - ii. they are husband and wife; or
 - 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)
- 4.14. “Transaction(s)”** means Related Party Transaction(s);

4. THE POLICY

Following is the structure of dealing with transactions with Related Parties with the Company:

- Identification of potential Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

4.1. Identification of potential Related Party Transactions;

In terms with the provisions of section 188(1) of the Act, a transaction shall be considered as Related Party Transactions, if Company enters into any contracts or arrangements with related parties with respect to;

- Sale, Purchase or Supply of any goods or materials;
- Selling or otherwise disposing of, or buying property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- Underwriting the subscription of any securities or derivatives thereof, of the Company.

Each Director, its nominee, executive officer or employee and the KMP of the Company shall be responsible for providing the information and notice of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that may be reasonably requested, to the Chairman of the Board or the Audit Committee, in writing.

The Audit Committee will determine whether or not such a transaction constitutes a Related Party Transaction, requiring the compliance with this Policy. The Audit Committee shall review information about the proposed transaction, and refer it to the Board of Directors for its approval.

4.2. Approval of Related Party Transactions:

4.2.1 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:

- a) 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.
- 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
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (ii) 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 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 crore per transaction.

- d) 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.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
- ii. 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;

- iii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
- vi. Any other factor the Audit Committee deems relevant for reviewing and approving such Related Party Transaction.

4.2.2 Board of Directors

- a. All Related Party Transactions prescribed under Section 188 of the Act, which are not in the Ordinary Course of business or not at Arm's length basis shall be brought before the Board and the Board shall consider and approve the Related Party Transaction at a meeting;
- b. If the Audit 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.

The agenda of the Audit Committee Meeting & Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose-

- i. Name of the Related Party and nature of relationship;
- ii. Nature, duration and particulars of the contract or arrangement;
- iii. Material terms of the contract or arrangement including the value, if any;
- iv. Any advance paid or received for the contract or arrangement, if any; the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

- v. 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
- vi. Any other information relevant or important for the Board to take a decision on the proposed transaction.

4.2.3 Shareholders' Approval

- a. All Material Related Party Transactions shall require approval of the shareholders through Ordinary Resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not;
- b. The transactions which fall under the provisions of the Companies Act, 2013 and the rules made thereunder require approval of the shareholders through resolution.

The explanatory statement to be annexed to the Notice of a General Meeting convened for the purpose of approving such Related Party Transactions shall include the following particulars namely:-

- i. Name of the related party;
- ii. Name of the Director or key managerial personnel who is related, if any;
- iii. Nature of relationship;
- iv. Nature, material terms, monetary value & particulars of the contract or arrangement;
- v. Any other information relevant or important for the members to take a decision on the proposed resolution.

4.2.4 Regulation 23(5)(b) of the Listing Regulations provides that the approval of Audit Committee and shareholder are not required for transactions entered/to be entered between MIEL and its wholly owned subsidiary Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval

4.2.5 All entities falling under the definition of the Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not in the above transactions.

4.2.6 Transactions in ordinary course of the business:-

The approval of the audit committee will be required even if the transaction is in ordinary course and at arm's length.

Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis to the Company or not. It shall also consider whether the Audit Committee was informed of the proposed transaction well in advance, and whether all the relevant information was disclosed or not, including no suppression of facts. Lastly, the Audit Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any Director or Key Managerial Personnel of the Company or any Related Party.

4.3. Disclosure of Related Party Transactions

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

4.3.2. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

4.3.3. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.

4.3.4. A register of Related Party Transactions shall be maintained as per the Companies Act, 2013 and placed before the Board and signed by all the Directors present at the Meeting.

5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THE POLICY

In case Company enters into any Related Party Transaction which is not approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts & circumstances regarding the said transaction and shall evaluate all options available with the Company including revision, ratification or termination of the Related Party Transaction. The Audit Committee shall also examine the reasons for not reporting the Related Party Transaction to the Audit Committee and shall take any reasonable action in this regard as it deems appropriate.



In case the Audit Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with the review of the Related Party Transaction, the Audit Committee has authority to modify/waive any procedural requirements of this Policy.

6. REVIEW

The Audit Committee shall, as and when required, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices.

7. INDEMNITY AGAINST LOSSES TO THE COMPANY AND PENALTY

If the contract/ arrangement is with a party related to a Director, or is authorized by another Director, then the concerned Directors shall indemnify the Company against any losses incurred by it.

The Company can also proceed against a Director or any other employee for recovery of any loss sustained by it as a result of a contract/ arrangement entered into by such person in contravention of the provisions of the law relating to Related Party Transactions.

The Director or employee of the Company, who had entered or authorized the contract or arrangement in violation of the provisions of the Act shall be punishable with imprisonment for a term which may extend to one year or with a minimum fine of rupees 25,000 but which may extend to rupees 5,00,000 or with both.

Date: 01st December, 2015
Place: New Delhi

Sd/-

Signature