



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

**MONNET**

*Version 2*

Steel | *(effective from 1<sup>st</sup>*  
*April 2019)* | Power | Mining



## MONNET PROJECT DEVELOPERS LIMITED

### 1. PREAMBLE

This Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transaction (“Policy”) is prepared and adopted to build a framework for the Related Party Transactions of Monnet Project Developers Limited (“MPDL” or “Company”), in accordance with the requirement of Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 entered into between the Company and the Bombay Stock Exchange and the National Stock Exchange (“Stock Exchanges”) read with the provisions of the Companies Act, 2013 as relevant rules made thereunder; as amended from time to time w.e.f. April 01, 2019. 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.

### THE POLICY

#### 2. PURPOSE OF THE POLICY

Regulation 23(1) of the Listing Regulation mandates that all listed companies formulate their policy on materiality of related party transactions and also on dealing with Related Party Transactions including the threshold limits duly approved by the Board of Directors, to ensure the proper approval and reporting of transactions between the company and its related Parties. The Company is required to make various disclosures of its related party transactions before the Board/Shareholders and Audit Committee as the case may be and also disclosure with respect to the same are required to be made in the Board Report, Financial Statement and other specified documents on specified tenures. This Policy is also prepared for the identification and regulation of the Related Party Transactions keeping in view the provisions of the Companies Act, 2013 and the Rules thereunder and Listing Regulations.

#### 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 Project Developers Limited;
- 4.4. **Committee** means the Audit committee as defined under the Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015.
- 4.5. **Company** means Monnet Project Developers Limited;
- 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
- (iv) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board
- (v) such other officer as may be prescribed by the Act.

**4.7. Listing Regulations** means the SEBI (Listing Obligation 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.  
However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.]

**4.9. “Related Party transactions”** means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and includes;

- 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:

Note: A “Transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

Provided that the overall value/limit of transactions with any related party of the Company on arms’ length basis and in ordinary course of business shall not exceed the limits specified and approved by the Audit Committee either through omnibus, general or specific approval;

Provided further that with respect to related party transactions of the Company, which are not on arms’ length basis or in ordinary course of business or both, the following overall value/limit shall not exceed the limits stated in Section 188 of the Act read with Companies

(Meeting of Board and its Power) Rules,2014, as amended from time to time, unless appropriate approval/s of the Audit Committee, Board and Shareholders, as may be required for transactions with related parties exceeding those limits is/are obtained.



Nature of Transaction	Limits
a. sale, purchase or supply of any goods or material, directly or through appointment of agent	10% of the turnover of the company or Rs.100 crore, whichever is lower,
b. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent;	10% of the Net worth of the company or Rs.100 crore, whichever is lower,
c. leasing of property of any kind;	10% of the Net worth of the company or 10% of Turnover or Rs.100 crore, whichever is lower
d. availing or rendering of any services, directly or through appointment of agent;	10% of the turnover of the company or Rs.50 crore, whichever is lower
e. appointment of any agent for purchase or sale of goods, materials, services or property;	10% of the turnover of the company or Rs.100 crore, whichever is lower,
f. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and	monthly remuneration not exceeding two and a half lakh rupees
g. underwriting the subscription of any securities or derivatives thereof, of the company	Not exceeding one percent of the net worth

Explanation: It is hereby clarified that the limits specified in sub-clause (a) to (d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

**4.10. Rules** means the Company (Meetings of Board and Its Powers) Rules, 2014;

**4.11. 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.

**4.12. Relative** means relative as defined under the Companies Act, 2013 read with Rule 4 of the Companies (Specification of definitions details) Rules 2014 as amended and includes anyone who is related to other if - ..

- 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)

**4.13. Transaction(s)** means Related Party Transaction(s);

**4.14. “Interested director”** means a director who is in any way, 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 as per provisions of Section 184 of the Act or any amendment or modification thereof.

**4.15 “Ordinary Course of Business”** means unusual transaction if it is entered into in relation to provision of goods or services in which the Company regularly deals or where the transaction is in respect of goods and services in which the counterparty normally deals and the Company repeatedly enters into such transactions for the purpose of its business or the transaction is necessary, normal and incidental to business. 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.

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

- Identification of related parties
- Identification of potential Related Party Transactions;
- Approval/decision of on Related Party Transactions; and
- Disclosure of Related Party Transactions.

#### 4. IDENTIFICATION OF RELATED PARTIES

Before the start of each financial year, the Company shall identify a list of ‘related parties’ in accordance with the definition given in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 containing the names of individuals and entities. The identification would be carried out based on the disclosures by Directors/Key Managerial personal of the Company and review the Group structure including holding, subsidiaries, associates, joint Ventures of the Company. The list of related parties shall be reviewed quarterly jointly by the Chief Financial Officer and company Secretary. Any changes in the list during the Financial year shall be made as and when the Company received information in this regard from the Directors, Key Managerial personal and change in the Group structure.

##### 4.1. Identification of potential Related Party Transactions;

The Company would collate list of Related Party Transactions as follows; a) Continuing RPT’s as per the disclosure made in the Company’s Financial statements. b) Transactions which are likely to be entered into which each related party and estimated value of such transactions before the beginning of each financial year to obtain necessary approval in accordance with this policy. In terms with the provisions of section 188(1) of the Act, read with regulation 2 (zc) of Listing Regulations, a transaction shall be considered as Related Party Transactions, if Company enters into any contracts or arrangements for transfer of resources, services or obligations with related parties, regardless of a price is charged.



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Each of the related party of the Company shall be responsible for providing the information and notice to the Board or Audit Committee for 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 Board or the Audit Committee or any KMP with copy to the Company Secretary, 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 for arriving its decision, and refer/recommend it to the Board of Directors for its approval wherever required, as per provisions of the Act, Listing regulation and other applicable laws.

Any interested Director (member of audit committee or Bard) shall rescue himself or herself and abstain from participating in the discussion and voting for such item under consideration by Audit Committee and Board as the case may be.

### **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:

1. 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.
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
3. 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.
4. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
5. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year"

The Agenda of the Meeting at which such Related Party Transaction is proposed to be reviewed/approved by the Audit Committee shall disclose the following: -

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the 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;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. 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;
- vii. the persons/authority approving the transaction; and
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the 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 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 or in contravention of any law; and
- vi. Any other factor the 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 read with applicable Rules, which are not in the Ordinary Course of business or not at Arm's length basis or both shall require prior approval of the Board at a meeting. If the such related party transactions exceed the limits as specified under Section 188 of the Act, read with applicable Rules thereof, then approval of shareholders of the Company shall also be obtained for such related party transactions.

- b) In addition to above, the following kinds of transactions with related parties shall be also placed before the Board for its approval;
- i. Transactions which may be in ordinary course of business and at arm's length basis but which are as per the policy determined by the Board from time to time (i.e. value thresholds and/or other parameters) required Board approval in addition to Audit committee approval.
  - ii. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer to the Board approval.
  - iii. Transactions which are in ordinary course of business and at arm's length basis but as per the Audit Committee required Board approval.
  - iv. Material related party transactions which are intended to be placed before the shareholders' approval.
- c) 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 if thought fit to 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 and 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.

#### **4.3 Shareholders' Approval**

- a. All Material Related Party Transactions, and transactions with related party under Section 188 of the Act exceeding the limits prescribed under section 188 of the Act, read with applicable Rules, applies and which are not on arms' length or in ordinary course of business or both, shall require approval of the shareholders through Ordinary Resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not;





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- b. The transactions which fall under the provisions of the Companies Act, 2013 and the rules made thereunder which may 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:-

1. Name of the related party;
2. Name of the director or key managerial personnel who is related, if any;
3. Nature of relationship;
4. Nature, material terms, monetary value & particulars of the contract or arrangement;
5. Any other information relevant or important for the members to take a decision on the proposed resolution.

**4.3.1** 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. Further the Company can avail exemptions or modifications which may be granted or prescribed by or under the Act or the Listing Regulations, from time to time, in respect of requirement of obtaining any approval, related party transactions.

**4.3.2** 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.

**4.3.3 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.

All the potential Related Party Transactions shall be reviewed in detail by the Audit Committee. Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis to the Company. It shall also consider whether the 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 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.



**4.3.4. Disclosure of Related Party Transactions**

- i. 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.
- ii. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- iii. 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.
- iv. 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.
- v. Disclosures of related party transactions on a consolidated basis to be submitted on half-yearly basis within 30 days from the date of publication of its standalone and consolidated financial results for the half year. Publish the same on the website too.
- vi. Ind AS -24 requires the disclosure of the related party relationship and transaction with the related party in the annual report, The following are examples of transactions that are disclosed if they are with a related party:
  - a) purchases or sales of goods (finished or unfinished);
  - b) purchases or sales of property and other assets;
  - c) rendering or receiving of services;
  - d) Agency arrangements
  - e) Leasing or higher purchase arrangement
  - f) transfers of research and development;
  - g) license agreements;
  - h) finance (including loans and equity contributions in cash or in kind);
  - i) guarantees or collateral;
  - j) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognized and unrecognized);
  - k) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party; and
  - l) management contracts including for deputation of employees.

**4.4. DETERMINATION OF ARM'S LENGTH**

The company adopts generally accepted practices and principles in determining whether the transactions is at arm's length. In absence of any definition the Company may refer to guidance given in Income Tax Laws, Customs Laws, EXIM laws, etc. Determining the arm's length price is matter of judgement and it shall be assessed on case to case basis depending upon the facts and circumstance in each case. The following are the some of the information that may be used to determine the arm's length basis analysis such as;

- Price charged by the Company to other third party unrelated parties
- Third party comparable commercial offers/quotations, valuation reports, price publications including stock exchange and commodity market indices or quotations
- Market analysis, research reports, industry trends, business strategies, etc.

- Management assessment of pricing terms and business justification for the proposed transaction
- Comparative analysis, if any, of other such transaction entered into by the Company.

All related party transactions shall be adequately supported by contracts or purchase orders/work order or sales order and documentations to justify arm's length price.

If arm's length price cannot be justified for any transaction, then approval should be taken from Board and shareholders as required under the Companies Act 2013.

In determining whether to approve or ratify a related party transaction the Committee/ Board as the case may be shall take into account among other factors it deems appropriate, whether the related party transaction is in the ordinary course of business or the company and on arm's length basis and the extent of the related party's interest in the transaction. For this purpose, the audit committee or Board as the case may be are entitled to seek the assistance of any employee of the Company or one or more independent experts of tis choice at the expense of the Company.

#### **5. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY:**

In the event the Company comes to know of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall be provided with all the relevant facts and circumstances for entering into such transaction with a related party. In the event the company becomes aware of a transaction with related party that has not been approved in accordance with this policy prior to its consummation such transactions shall be immediately reported to the Company Secretary. Such transaction shall be reviewed and can be ratified by the Audit Committee in the next meeting.

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 Committee shall also examine the reasons for not reporting the Related Party Transaction to the Committee and shall take any reasonable action in this regard as it deems appropriate.

In case the Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the 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 Committee has authority to modify/waive any procedural requirements of this Policy.

#### **6. REVIEW**

The Board 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.



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### **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, without obtaining approval of the Audit Committee, Board or the Shareholders as may be applicable or is not ratified by the Audit Committee, Board and the Shareholders as per provisions of Section 188 of the Act, then the concerned Directors shall indemnify the Company against any losses incurred by it.

The Company can also proceed against such Director or any other employee for recovery of any loss sustained by it as a result of such 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 as per applicable provisions of the Companies Act 2018 or any amendment thereof.