

## MISHRA DHATU NIGAM LIMITED

### Policy on Materiality of and dealing with Related Party transaction

#### 1. Preamble

- 1.1. Mishra Dhatu Nigam Limited (“**MIDHANI**” or “**Company**”) is committed to uphold the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflict of interest of the Directors, Senior Management etc. with the interest of MIDHANI.
- 1.2. The policy may be called ‘Policy on materiality of and dealing with Related Party Transactions’ (hereinafter referred to as ‘**the Policy**’)
- 1.3. The policy has been reviewed & recommended by the Audit Committee and approved by the Board of Directors at their Meeting held on May 26, 2022.
- 1.4. All earlier policy(ies) issued by the Company on the subject, stands suspended.
- 1.5. MIDHANI adopts the policy and procedures, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there under and any subsequent amendments thereto (the “**Act**”) and the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), as amended, and such other regulatory provisions, as may be applicable in order to ensure timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties (*as defined below*).

#### 2. Objective

- 2.1. This Policy is intended to ensure systematic identification, approval and / or reporting of transactions as applicable, between MIDHANI and any of its Related Party in the best interest of MIDHANI and its stakeholders. Provisions of this Policy are designed to govern the transparency in identification and approval process as well as disclosure requirements to ensure fairness in the conduct of Related Party Transactions, in terms of the applicable laws. This Policy shall supplement other policies of MIDHANI that may be in force for identification, approval and / or reporting of transactions with related persons.
- 2.2. The Audit Committee of MIDHANI (“**Audit Committee**”), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions. The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the

Policy on Related Party Transactions shall be consistent with the Companies Act 2013, including the rules promulgated thereunder and the SEBI Listing Regulations and shall be approved in the manner as may be decided by the Board of Directors.

### **3. Transactions Covered by this Policy**

- 3.1. A transaction covered by this policy includes any contract or arrangement with a related party with respect to transactions defined hereunder as “Related Party Transaction”.
- 3.2. Provided further that any transaction entered into by MIDHANI with Related Party in its ordinary course of business and on an arm’s length basis, shall be periodically reported to the Audit Committee.

### **4. Definitions:**

- 4.1. **“Act”** means Companies Act, 2013 and Rules made thereunder, as amended from time to time.
- 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. **“Audit Committee”** means a Committee of Directors constituted under Section 177 of the Companies Act, 2013 and listing regulations.
- 4.4. **“Associate Company”** means a Company as defined under Section 2(6) of the Act.
- 4.5. **“Board”** means the Board of Directors of the Company.
- 4.6. **“Control”** includes the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders’ agreements or voting agreements or in any other manner:

**Provided** that a director or officer of MIDHANI shall not be considered to be in control over such company, merely by virtue of holding such position;

- 4.7. **“Key Managerial Personnel”** means a key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013 and appointed under Section 203 of the Act and/or person covered under applicable accounting standards.
- 4.8. **“Listing Regulations”** means Securities and Exchange Board of India (Listing

Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

- 4.9. **“Material Modification”** means any modification to the approved related party transaction exceeding 10% of its value.
- 4.10. **“Office or place of profit”** means any office or place -
- a) where such office or place is held by a director, if the director holding it, receives from MIDHANI 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;
  - b) 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 MIDHANI anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- 4.11. **“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.
- 4.12. **“Related Party”** Related Party means a Related Party as defined under:
- a) Section 2(76) of the Companies Act, 2013;or
  - b) Regulation 2(1)(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;or
  - c) Indian Accounting Standard (IND AS) 24 as notified by the Central Government.
- 4.13. **“Relatives”** relative means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.
- 4.14. **“Related Party Transactions”** shall have the meaning ascribed to the term in Regulation 2(1) (Zc) of the SEBI Listing Regulations.

## **5. Identification of Related party**

- 5.1. Related party shall identify based on criteria prescribed under the Act/ SEBI Listing Regulations and on the basis of declarations/ disclosures furnished by Directors/ KMP.

## **6. Identification of Potential Related Party Transactions**

- 6.1. All Related Party Transactions shall be placed before the Audit Committee of the Company for its approval.
- 6.2. Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the respective department head/ respective officer, who would in turn take necessary steps to place the same before the Audit Committee.
- 6.3. All Directors, Members of the Management Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest, immediately on occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company.
- 6.4. In addition, all Directors, Members of the Management Committee and KMPs are responsible for giving notice to the Company Secretary of any potential Related Party Transaction involving them or their Relatives.
- 6.5. Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee.

## **7. Transaction in ordinary course of business & on arm's length basis**

- 7.1. Ordinary course of business' would include transactions which are entered into in the normal course of the business pursuant to or for promoting or in furtherance of the company's business objectives, as per the charter documents of the company.
- 7.2. To decide whether an activity which is carried on by the business is in the 'ordinary course of business', the following factors may be considered:
  - a) Whether the activity is covered in the objects clause of the Memorandum of Association
  - b) Whether the activity is in furtherance of the business
  - c) Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc
  - d) Whether the activity is repetitive/frequent

- e) Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account
- f) Whether the transactions are common in the particular industry
- g) Whether there is any historical practice to conduct such activities

The above list is not exhaustive and Audit Committee may explore other parameter to determine the nature of transaction being in ordinary course of business or not.

### 7.3. **'Arm's length transaction'**

- a) Explanation to sub-section (1) of Section 188 of the Act defines the term 'arm's length transaction' as a transaction between two related parties that is conducted as if they were un-related, so that there is no conflict of interest.
- b) The transaction as a whole and the entire bundle of the terms and conditions needs to be considered for determining whether the transaction is on an arm's length basis.
- c) In terms of Section 92F of the Income-tax Act, 1961, "arm's length price" means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.
  - associated enterprise", in relation to another enterprise, means an enterprise –
    - which participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise; or
    - in respect of which one or more persons who participate, directly or indirectly, or through one or more intermediaries, in its management or control or capital, are the same persons who participate, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise.
- d) In terms of Section 92C of the Income-tax Act, 1961, the arm's length price in relation to an international transaction or specified domestic transaction shall be determined by any of the following:
  - a comparable uncontrolled price method;
  - resale price method;
  - cost plus method;

- transactional net margin method;
  - profit split method
  - Such other method as may be prescribed
- e) The most appropriate method shall be applied, for determination of arm's length price. Where more than one price is determined by the most appropriate method, the arm's length price shall be taken to be the arithmetical mean of such prices.
- f) "Transaction on arm's length" may not mean a price at which the third parties transact similar goods. The term "arm's length basis" means a bundle of terms and conditions including price and not price alone, in isolation of other terms and conditions.

7.4. Records/ Supporting documents required for establishing the ordinary course of business and arm's length pricing of a transaction with a Related Party are as follows:

- a) Purchase / sale of material, goods etc.:
- Copy of agreements / purchase orders / correspondence exchanged / letters of exchange / bills / invoices etc.
  - Invoices / bills of similar transactions on same date or nearby date with unrelated parties from the seller.
  - Quotation from unrelated service provider.
- b) Purchase / sale of property:
- Valuation reports from independent valuers to ascertain Fair Market Value.
  - Quotations from independent property dealers /brokers.
  - Draft copy of agreement to sell / Draft of proposed sale deed.
  - Brief terms and conditions and justification of such transaction
- c) Availing / Rendering Services:
- Copy of agreement/memorandum of understanding / correspondence etc.
  - Supporting documents justifying the transaction on arm's length basis.

d) Loans / Advances/ Guarantees given or availed

- Compliance of Section 185, 186 and other applicable provisions of the Act and rules thereunder.
- Agreements
- Statutory approvals wherever required
- Rate of interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the loans / advances (wherever applicable).

e) Subscription to shares / debentures /securities:

- Valuation report or documents justifying that subscription is done / received at a rate on which placement has been made / shall be made to an un-related party.

**8. Review and approval of Related Party Transaction**

8.1. Audit Committee shall be provided all relevant and material information on proposed related party transactions, including terms, business case, justification of arm's length terms etc.

8.2. Any subsequent material modification i.e. any modification exceeding 10% of the amount involved in Related Party Transaction shall require prior approval of Audit Committee.

8.3. Audit Committee may grant omnibus approval to one or more proposed Related Party Transactions which are of repetitive in nature and where exact volume or price of the transaction cannot be ascertained at the time of approval.

8.4. Such omnibus approval shall specify i) the name(s) of Related Party, nature of transaction, period of transaction, maximum amount of transaction ii) the indicative base price/ current contracted price and formula of variation in price, if any, and iii) such other conditions as the Audit Committee may deem fit.

Provided where the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.

8.5. Audit Committee shall review, on quarterly basis, the details of Related Party transactions entered into by Company pursuant to omnibus approval.

8.6. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval.

## **9. Related Party Transactions that shall not require Approval**

Following Related Party Transactions shall not require any separate approval under this Policy:

- a) Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b) Transactions that have been approved by the Board under specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c) Payment of Dividend;
- d) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with specific provisions of the Companies Act 2013 or Listing Regulations, 2015.
- e) Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

## **10. Material Related Party Transactions**

- 10.1. Unless otherwise provided in SEBI Listing Regulations, a transaction with Related Party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during the financial year, exceeds rupees 1,000 Crore or 10% of the annual consolidated turnover of the Company as per latest audited financial statements of the Company whichever is lower.
- 10.2. Provided in terms of Regulation 23(1A) of SEBI Listing Regulations 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 5% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company.

## **11. Shareholders' approval with respect to Material Related Party Transactions**

- 11.1. All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.



Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of SEBI Listing Regulation are applicable to such listed subsidiary.

*For related party transactions of unlisted subsidiaries of Company, the prior approval of the shareholders of the Company shall suffice.*

- 11.2. Where a proposed Related Party is not in ordinary course of Business of the Company and/or on arm's length basis; and also exceeds the limits set-out in Rule 15 (3) of the Companies (Meeting of Board and its Powers) Rules, 2014, prior approval of shareholders shall be sought and no related party shall vote to approve such resolutions.
- 11.3. The Material Related Party Transactions entered into between two Government Companies or between the Company and its wholly owned subsidiaries or transactions entered into between two wholly owned subsidiaries of the MIDHANI whose accounts are consolidated with MIDHANI shall not require prior approval of the shareholders.

## **12. Related Party Transactions not previously approved**

- 12.1. In the event the Company becomes aware 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 consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.
- 12.2. Where any contract or arrangement is entered into by a director or any other employee of MIDHANI with a related party, without obtaining the consent of the Audit Committee / Board or approval by a resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Audit Committee / Board / Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify MIDHANI against any loss incurred by it.
- 12.3. In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to,

immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

12.4. MIDHANI may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

12.5. This Policy shall stand amended in terms of the Act including the Companies (Meetings of Board and its Powers) Rules, 2014, and SEBI Listing Regulations. In the event of any conflict between this Policy and the applicable law, the applicable law shall prevail. The Board or the Audit Committee, as authorised by the Board, may review and amend this Policy from time to time. Any amendment to this Policy will be in writing.

### **13. General Principle:**

Director (Finance) is authorized to issue guidelines/ instructions for implementation of the Policy from time to time and his/her interpretation shall be final.

### **14. Policy Review:**

This Policy is revised based on the extant provisions of Listing Regulations. In case of any subsequent changes in the provisions of the Listing Regulations or any other applicable laws, the Listing Regulations or the applicable laws would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law.

In any circumstance where terms of this Policy differ from any existing or newly enacted law, rule, regulation; the law, rule, regulation will take precedence over this Policy until such time as this Policy is changed to conform to the law, rule and regulation.

This Policy shall be reviewed by the Audit Committee, as and when any changes are to be incorporated in the Policy due to change in law, rule, regulation or standard or as may be deemed appropriate by the Audit Committee. In connection with any review of a Related Party Transaction, the Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Bank. The Board shall approve the policy upon recommendation of Audit Committee.

### **15. Disclosure of Related Party Transactions:**

15.1. The Policy on dealing with Related Party Transactions shall be disclosed in manner as prescribed under the Act and/or SEBI Listing Regulations.

- 15.2. The Policy shall be hosted on the website of the Company Website and a web link thereto should be provided in the Annual Report of the Company.
- 15.3. The details of all material transactions with related parties shall be disclosed to the Stock Exchanges quarterly along with the compliance report on Corporate Governance.
- 15.4. Disclosure of related party transactions on a consolidated basis to the stock exchanges in the format as specified by SEBI along with standalone and consolidated financial results for the half year. The same shall also be published on the website of the Company.
- 15.5. The Accounting Standard 18 relating to Related Party Disclosures is applicable for reporting Related Party relationships and transactions between a reporting enterprise and its Related Parties.

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