

# **M M FORGINGS LIMITED**

## **POLICY ON RELATED PARTY TRANSACTIONS**

( approved by the Board of M M Forgings Limited)

### **1. OBJECTIVE**

The Policy is framed to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval / ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties.

### **2. DEFINITIONS AND INTERPRETATIONS**

#### **2.1 “Related Party” under the Companies Act, 2013**

“Related Party” means, with reference to a company;

- i) A director or his relative;
- ii) Key Managerial Personnel 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 or his relatives 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 2% of its paid-up share capital;
- vi) A 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, except when such advice is given in a professional capacity;
- vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act, except when such advice is given in a professional capacity;
- viii) any body corporate which is—
  - (a) a holding, subsidiary or an associate company of such company;
  - (b) a subsidiary of a holding company to which it is also a subsidiary; or
  - (c) an investing company or the venturer of the company;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

ix) A director, other than an Independent Director, or Key Managerial Personnel of the Holding Company or his relative with reference to a company, shall be deemed to be a Related Party.

Here the term “Relative” means relative as defined under the Companies Act, 2013 and includes anyone 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 another in the following manner, namely:
  - (a) Father (including step-father)
  - (b) Mother (including step-mother)
  - (c) Son (including step-son)
  - (d) Son's wife
  - (e) Daughter
  - (f) Daughter's husband
  - (g) Brother (including step-brother)
  - (h) Sister (including step-sister)

### **Related Party” as per Listing Regulations**

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that:

(a) any person or entity forming part of the promoter or promoter group of the listed entity; or (b) any person or entity, holding equity shares of twenty percent or more in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

### **Related Party As per Indian Accounting Standard (Ind AS) 24**

A “Related Party” is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

## **2.2 “Related Party Transactions” (RPT) Under the Companies Act, 2013**

Any contract or arrangement with respect to the following shall be considered as a Related Party Transactions (RPTs):

- i) sale, purchase or supply of any goods or materials;
- ii) selling or otherwise disposing of, or buying, property of any kind;
- iii) leasing of property of any kind;
- iv) availing or rendering of any services;
- v) appointment of any agent for purchase or sale of goods, materials, services or property;
- vi) such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii) underwriting the subscription of any securities or derivatives thereof of the Company.

Notwithstanding the foregoing, the following shall not be deemed RPTs:

- i) Any transaction which is in the ordinary course of business and on an arms’ length basis as determined in terms of this Policy.
- ii) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder.

### **As per Listing Regulations**

A “Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries;

regardless of whether a 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:

## **2.3 “Material Modification in Related Party Transaction”**

“Material modification in a related party transaction” means any modification related to change in price, tenure, delivery schedule, non-statutory obligations, terms and conditions or short closure of any contract or arrangement with related party.

## 2.4 “Material Related Party Transactions”

Following transactions with a Related Party shall be construed as Material Related Party Transactions:

S.No.	Transaction or contract or arrangements for	Limits
1	Sale, purchases or supply of any goods or materials, directly or through appointment of agent	Amounting to Rupees 1000 Crore or 10% of the turnover of the Company, whichever is lower.  Explanation: The above limit is applicable for the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
2	Leasing of property of any kind	
3	Availing or rendering of any services, directly or through appointment of agent	
4	Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent	Amounting to Rupees 1000 Crore or 10% of the net worth or 10% of the turnover of the Company, whichever is lower.  Explanation: The above limit is applicable for the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
5	Appointment of a Related Party to any office or place of profit in the Company, its Subsidiary Company or Associate Company	Where monthly remuneration exceeds Rs. 2,50,000.
Annual turnover and net worth referred above shall be computed as per audited financial statements for the preceding financial year.		

## 3. MECHANISM FOR APPROVAL FOR RELATED PARTY TRANSACTIONS AND SUBSEQUENT MATERIAL MODIFICATIONS

### 3.1 TRANSACTIONS WHICH ARE ON ARM’S LENGTH BASIS AND ARE IN ORDINARY COURSE OF BUSINESS

#### 3.1.1 Prior approval of Audit Committee.

Provided that only those members of the audit committee, who are Independent Directors, shall approve RPTs.

3.1.2 Prior approval of shareholders by way of ordinary resolution if such RPTs are “Material Related Party Transactions” as defined above.

**3.2 TRANSACTIONS WHICH ARE EITHER NOT ON ARM’S LENGTH BASIS AND/OR NOT IN ORDINARY COURSE OF BUSINESS**

3.2.1 Recommendation of Audit Committee prior to the transaction.

(a) Provided that only those members of the audit committee, who are Independent Directors, shall recommend RPTs.

(b) Prior approval of Board of Directors.

(c) Prior approval of shareholders by way of ordinary resolution if such RPTs are “Material Related Party Transactions” as defined above.

**4. OMNIBUS APPROVAL BY AUDIT COMMITTEE**

4.1 The Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:

4.1.1 The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.

4.1.2 The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

4.1.3 Such omnibus approval shall specify:

4.1.3.1 the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;

4.1.3.2 the indicative base price / current contracted price and the formula for variation in the price if any; and

4.1.3.3 such other conditions as the Audit Committee may deem fit.

4.1.3.4 Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available,

4.1.3.5 Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

4.1.3.6 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.

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

**5. TRANSACTIONS TO WHICH SUBSIDIARY OF THE COMPANY IS A PARTY BUT THE COMPANY IS NOT A PARTY**

5.1 Prior approval of Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

## **6. PROCEDURE TO BE FOLLOWED FOR RELATED PARTY TRANSACTIONS**

- 6.1 The Compliance officer shall identify the related party (ies), as applicable from time to time on annual basis and; as and when there is any changes in related party(ies) and circulate the same to all the departments of the Company.
- 6.2 The Director/ KMP/ Related Party shall bring to the notice of Compliance Officer of any transactions to be entered by the related party with the Company.
- 6.3 The concerned departments shall approach Compliance Officer before entering into any transactions with Related Party(ies) along with the details of the transactions to be entered.
- 6.4 After receipt of the notice, the compliance officer shall make sure that the transactions to be entered is as per the policy on RPTs approved by the Board and also verify the approval sought for such transaction by the Audit Committee /Board/ Shareholders, as applicable.
- 6.5 If the transaction to be entered is already approved by the Audit Committee/ Board/ shareholder, as applicable and if it is within the limit of approval then the compliance officer shall inform the respective department of the same and allow the transaction to proceed.
- 6.6 If the transaction proposed to be entered with related party is not already approved by the Audit Committee /Board /Shareholders then the Compliance officer shall take necessary steps for prior approval of the transactions.
- 6.7 Any RPTs approved by the Audit Committee/ Board / Shareholders shall be informed to the concerned departments specifying the limit of approval.

## **7. RESTRICTIONS ON PARTICIPATION BY INTERESTED DIRECTOR IN THE AUDIT COMMITTEE/ BOARD MEETING**

- 7.1 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.

## **8. VOTING BY RELATED PARTIES**

- 8.1 No related party shall vote to approve RPTs requiring Shareholders' approval, irrespective of whether the entity is a related party to the particular transaction or not.

## **9. RATIFICATION OF RELATED PARTY TRANSACTIONS**

- 9.1 Every contract or arrangement entered into with a related party shall be referred to in the Board's report to the Shareholders along with the justification for entering into such contract or arrangement.
- 9.2 If prior approval of the Audit Committee/ Board/ Shareholders for entering into a RPTs is not feasible owing to paucity of time and also other administrative inconvenience, then such RPTs shall be recommended by the Audit Committee for ratification to the Board/ Shareholders, if required, within 3 months of entering into the Related Party Transaction.

- 9.3 In any case where either the Audit Committee/ Board / Shareholders determines not to ratify a Related Party Transaction that has been commenced without prior approval, the Committee or Board or Shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. If the contract or arrangement is with a Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

## **10. DISCLOSURES**

- 10.1 The Company is required to disclose this Policy on dealing with RPTs on its website.
- 10.2 A web link thereto shall be provided in the Annual Report of the Company. The Annual Report of the Company shall also contain the disclosures on related parties as required under the Listing Regulations.
- 10.3 Details of all Material RPTs shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Regulations as amended from time to time.
- 10.4 The Company shall submit to the stock exchanges disclosures of RPTs in the format as specified by the SEBI from time to time, every six months within fifteen days from the date of publication of its standalone and consolidated financial results, and publish the same on its website.
- 10.5 The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

## **11. AMENDMENT**

If the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy until this Policy is changed to conform to the law, rule, regulation or standard.