



MRO-TEK REALTY LIMITED
POLICY ON CRITERIA FOR RELATED PARTY
TRANSACTION AND MATERIALITY
Version No. 2 Dated 26th June, 2020

ON RECOMMENDATION OF AUDIT COMMITTEE AND ADOPTED BY THE BOARD OF DIRECTORS AT THEIR MEETING AND REVISED BY BOARD OF DIRECTORS AT THEIR MEETING HELD ON 26th June, 2020.

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Policy On Related Party Transactions And Materiality

1. Preamble:

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. 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) (Amendments) Regulations, 2018 (“Listing Regulations”), MRO-TEK Realty Limited (“Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all actions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors.

In the light of the above, the Company has revised the Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

2. Objective:

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; (c) Appropriate disclosures of all applicable transactions, Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. Applicability:

The policy shall apply to all the transactions which fall within the ambit of Policy of Related party transactions.

4. Definitions:

4.1 “Act” means the Companies Act, 2013

4.2 “Regulation 23” means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)(Amendments) Regulations, 2018.

4.3 “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.

4.4 “Key Managerial Personnel” or “KMP” shall have the meaning as defined under sub-section 51 of section 2 of the Act and rules framed there under.

4.5 “Materiality”, means a transaction with a related party shall be considered material if

the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent consolidated turnover/ net worth or rupees one hundred or fifty crores, whichever is lower of the listed entity as per the last audited financial statements of the listed entity and any 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.

- 4.6 “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.
- 4.7 “Relative”** means with reference to any person, as defined under sub-section (77) of section 2 of the Act or under the applicable accounting standards.
- 4.8 “Related Party”**, means a Related Party as defined under sub-section (76) of section 2 of the Act and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements)(Amendment) Regulations, 2018.
- 4.9 “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 means 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

5. Materiality Thresholds:

Regulation 23 of the SEBI Listing Regulations states that a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements. The Company has fixed its materiality threshold at 10% of the audited consolidated turnover of the Company as per the last audited financial statements of the Company.

6. Manner of dealing with related party transactions:

All Related Party Transactions must be reported for approval to the Audit Committee (“**Committee**”) and may be referred by the Committee to the Board and / or Shareholders for its / their approval, as may be required in accordance with this Policy.

6.1 Identification of Related Party

- i. Related parties shall be identified under Act & as per Regulation 2(1) (zb) of the Listing Regulations as amended from time to time and regularly verified.
- ii. The Finance team shall, always, maintain a database of Company’s Related Parties, identified based on definition for related party as per Act and Listing Regulations. The database should contain the names of individuals and Companies along with their personal/company details including any revisions therein.
- iii. The Secretarial and Finance team should share the list of the related party to the relevant Functional heads including Finance and Procurement, on quarterly basis and in case of any changes in the list based on the event based declarations.
- iv. Each Director and Key Managerial Personnel of the Company shall inform the Secretarial Department of the Company of any change in the information previously provided on the list of related parties of the Company.
- v. Each director and Key Managerial Personnel is responsible for providing notice to the Board or Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/ Committee may reasonably request.
- vi. The list of identified related parties will be tagged and updated in the accounting system on quarterly basis and also periodically sent out to those staff of the Company that might be in the position to conduct or know of the possible conduct for Related Party Transactions.

6.2 Identification of related party transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company will seek external expert opinion, if necessary.

As a policy, the Company will identify transactions falling under contracts and arrangements, as per the applicable laws, entered into with relate parties for the consent of the Committee, Board of Directors and shareholders, as applicable.

Policy:

The Related Party Transactions should be in conformity with the prevailing rules and regulations prescribed by law.

All Related Party Transactions shall be placed before the Committee for prior approval of the Committee, as required under the provisions of the Act and the Listing Regulations.

6.3 Procedure for Approval of Related Party Transaction

6.3.1 Approval of the Audit Committee

The Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to compliance with following conditions:

- a. The 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 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
 - ii. nature of transaction
 - iii. maximum aggregated value of the particular type of transaction that can be entered into
 - iv. basis of arriving at the indicative base price / current contracted price and the formula for variation in the price if any
 - v. 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;
 - vi. transactions which cannot be subject to the omnibus approval by the Audit Committee

Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- d. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - i. repetitiveness of the transactions (in past or in future);
 - ii. justification for the need of omnibus approval
- e. The Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.
- f. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of 1 year.

- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- h. A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.
- i. Any other conditions as the Audit Committee may deem fit.

6.3.2 Policy on Determination of Materiality of Related Party Transactions

- i. All Transactions which are not in ordinary course of business or not as per arm's length pricing or both will be put up for prior approval of the Board. In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Act, it will be also be put up for prior approval of the shareholders.
- ii. All Material Related Party Transactions (within the meaning of the LODR) shall require approval of the shareholders and all Related Parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.

Exclusion:

The below transaction shall not be deemed as a Related Party Transactions:

Which is entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. (Refer to Regulation 23 (5) (b) of the SEBI (Listing Obligations and Disclosures Requirement) Regulations, 2015).

6.3.3 Review of transactions with Related Party:

- i. To review related party transaction, the Committee will be provided with all relevant material information of the related party transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the related party and any other relevant matters. For this purpose, the Committee / 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 its choice at the expense of the Company.
- ii. If the Company determines that a related party transaction to be brought to the Board or if the Board in any case elects to review any such matter or it is mandatory any law for Board to approve the related party transaction then the consideration set forth shall apply to the Board for review and approval with such modification as may necessary or may be appropriate under the circumstances.

6.3.4 Related Party Transaction not approved under this policy:

- i. 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 Committee. The 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 Committee shall also examine the

facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

- ii. In cases where the Board and / or shareholders' approval is required, and a contract or arrangement is entered into by a director or any other employee, without obtaining such consent of the Board or approval by a special resolution in the general meeting and if it is not ratified by the Board or, as the case may be, by the 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 authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- iii. In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the 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 Committee has authority to modify or waive any procedural requirements of this Policy.

7. Disclosure and Reporting

- i. Details of the Related Party Transactions during the quarter shall be disclosed in the Committee and Board meeting. The Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given, if any.
- ii. The Company shall disclose to the Stock Exchange along with the compliance report on Corporate Governance on a quarterly basis details of all material transactions with related parties.
- iii. The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- iv. The Policy shall be made available on the website of the Company- www.mro-tek.com and a web link thereto shall be provided in the Company's Annual Report.
- v. The listed entity 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

This Policy will be communicated to all operational employees and other concerned persons of the Company.

8. Review

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 Charter based on the changes that may be brought about due to any regulatory amendments or otherwise. The aforesaid policy **shall be reviewed at least once every three years and updated accordingly.**

9. Amendments

On recommendation of Audit Committee the Board may modify the policy from time to time with suitable modification suggested by Audit Committee as may be necessary.
