

**POLICY ON MATERIALITY  
OF  
RELATED PARTY TRANSACTIONS  
AND  
ON DEALING WITH RELATED PARTY TRANSACTIONS  
OF  
MPS INFOTECNICS LIMITED**

## 1. Preamble

The Board of Directors (“the Board”) of **MPS Infotecnics Limited** (the “Company”), has adopted the following Policy and procedure in relation to Related Party Transactions. The Policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the Law and Regulation.

This Policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

## 2. Objective

This policy is framed as per the requirements of **Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** [including any modification(s) / amendment(s) /re-enactment(s) thereof] (“Listing Regulations”) and in terms of **Section 188 of the Companies Act, 2013** and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

In its endeavour to ensure due and proper compliance with the applicable provisions and to ensure that proper procedure is defined and followed for approval / ratification and reporting of transactions as applicable, between the Company and any of its Related Parties, this policy has been adopted by the Company's Board of Directors. The provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Policy and procedures have been designed to achieve due and timely compliance with the statutory requirements governing related party transactions by ensuring that:

- i. Related Parties are identified;
- ii. Related Party Transactions are evaluated;
- iii. Necessary approvals are obtained;
- iv. Related Party Transactions are recorded; and
- v. Proper disclosures of the Policy and the Related Party Transactions are made including disclosure of all related party transactions in the Annual Financial Statements.

### 3. Definitions

- (i) **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 and as per Regulation 18 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, for audit related purpose.
- (ii) **“Board of Directors” or “Board”**, in relation to a company, means the collective body of the directors of the company;
- (iii) **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (iv) **“Key Managerial Personnel”** means Key Managerial Personnel in relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013, means and includes:
  - (a) the Chief Executive Officer or the managing director or the manager;
  - (b) the company secretary;
  - (c) the whole-time director;
  - (d) the Chief Financial Officer;
  - (e) 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; and
  - (f) such other officer as may be prescribed.
- (v) **“Policy”** means Policy on Materiality of Related Party Transactions on Dealing with Related Party Transactions.
- (vi) **“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.
- (vii) **“Ordinary course of business”** would have the meaning as defined by the Institute of Chartered Accountants of India & Companies Act, 2013, and as per the guidelines and judicial and other pronouncements, as applicable from time to time. In general, the term “Ordinary course of business” shall include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the

- (viii) Memorandum of Association of the Company, or transactions that are considered while computing the business income / revenue / turnover of the Company as opposed to “income from other sources”.
- (ix) **“Related Party”** means related party as defined in sub-section 76 of section 2 of the Companies Act, 2013 which is as follows:

A **‘related party’** is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making the financial and/or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a company if that person is a related party under Section 2(76) of the Companies Act, 2013 as per **Annexure-1**.
  2. An entity is related to a company if any of the conditions applies as per **Annexure-2**.
- (x) The term **‘Associate Company’** and **‘Significant influence’** shall be as defined in sub-section 6 of Section 2 of the Companies Act, 2013.
  - (xi) **“Related Party Transactions”** shall mean such transactions as specified under the Act and the Rules made thereunder and Regulation 2(1)(zc) of the Listing Regulations, including any amendment or modification thereof, as may be applicable
  - (xii) **“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 the other in such manner as may be prescribed, which is as follows:
      - (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)

**(xiii) “Material Related Party Transaction”** means a transaction with a Related Party where 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 of the Company as per the last audited financial statements of the Company.

Notwithstanding the above, 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.

**(xiv)** Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 or any other applicable law or regulation.

### **3. Policy**

#### **3.1 Identification of Potential Related Party Transactions**

Each Director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

#### **3.2 Review and Approval of Related Party Transactions**

##### **-by Audit Committee**

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolutions. 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, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-

(a) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;

- (b) the maximum value per transaction which can be allowed;
- (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
- (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

(2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

- (a) repetitiveness of the transactions (in past or in future);
- (b) justification for the need of omnibus approval.

(3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

(4) The omnibus approval shall contain or indicate the following: -

- (a) name of the related parties;
- (b) nature and duration of the transaction;
- (c) maximum amount of transaction that can be entered into;
- (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
- (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

(6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

(7) Any other conditions as the Audit Committee may deem fit."

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 and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether the Related Party Transaction would affect the independence of the Director/KMP;
- iii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- iv. Whether the Related Party Transaction is in the nature of conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director or other Related Party, the direct or indirect nature of the Directors, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the 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 Board to approve the Related Party Transaction, then the Board shall consider and approved the Related Party Transaction 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.

These provisions shall not be applicable to transactions entered into between the 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.

- **By Board of Directors**

Where approval of Board of Directors is required for any related party transaction or if the Board in any case elects to reviews any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then 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.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

- **by Shareholders**

In case Board refers a Related Party Transaction for seeking approval of the Shareholders as per the provisions of Companies Act 2013 or otherwise, if any member of Company is a related party as per this policy, such member of the Company shall not vote on resolution passed for approving such related party transaction.

**3.3 Decision regarding transaction in ordinary course of business and on arm's length basis**

The Audit Committee or the Board shall, as the case may be, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length basis.

**4. Disclosures**

4.1 All contracts or arrangements which require Board approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement

4.2 The Explanatory Statement annexed to the Notice convening General Meeting for seeking the Shareholders' approval for the Related Party Transaction should contain the following details:

- Name of the Related Party;
- Name of the Director or Key Managerial Personnel, who is related, if any;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of contract or arrangement;
- Other relevant or important information which helps Shareholders take a decision
- Details of all material transactions with the Related Parties should be disclosed to the Stock Exchanges on quarterly basis along with the Corporate Governance Compliance Report.
- The Policy on dealing with Related Party Transactions shall be uploaded on the Company's website



- The Company shall publish the Policy in its Annual Report.
- This Policy will be communicated to all operational employees and other concerned persons of the Company.

## **5. Amendment**

The Company, subject to the provisions of the Companies Act, 2013, Listing Regulations, Accounting Standards and other laws as applicable in this regard from time to time, reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification will be binding on the Directors and employees unless the same is not communicated in the manner described as above.

***This policy (including the thresholds) shall be reviewed by the Board of Directors at least once in three years and/or as and when required and updated accordingly***

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**ANEXURE-1**  
**REF. CLAUSE 3(viii)**

**Related Party**

A person or a close member of that person's family is related to a company if that person is –

**(a) "related party"**, with reference to a company, means—

(i) a director or his relative;

(ii) a 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 relative is a member or director;

(v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;

(vi) any 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;

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

**Provided** that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions 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.

***Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related part.***

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## **ANEXURE-2**

An entity is related to a company if any of the following conditions applies:

- a) The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the other); or
- c) One entity is an associate or joint venture of the other entity (or an associate or joint venture or a member of a group of which the other entity is a member); or
- d) Both entities are joint ventures of the same third party; or
- e) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity; or
- f) The entity is for a post-employment benefit Plan, for the benefit of employees of the company or an entity related to the company. If the company is itself for such a Plan, the sponsoring Employers are also related to the company; or
- g) The entity is controlled or jointly controlled by a person identified in (1).