



POLICY ON RELATED PARTY TRANSACTIONS

(Pursuant to section 188 of Companies Act 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)



POLICY ON RELATED PARTY TRANSACTIONS

SCOPE AND PURPOSE OF THE POLICY

Related party transactions (RPT) 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 Obligation & Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”). Mangalam Drugs & Organics Limited (“Mangalam” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23 of SEBI (LODR) Regulations 2015 requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, Mangalam has framed this 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. The Audit Committee may, if thought fit, review and amend the Policy, as and when required, subject to the approval of the Board.

PURPOSE

This amended policy is primarily framed based, on Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hereinafter referred to as ‘Regulations’ and the provisions of Companies Act, 2013 (the “Act”) including Rules made there under, and are primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

Earlier the policy was based on Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and the Act.

DEFINITIONS

“**Associate**” shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013.

Associate under sub-section (6) of section 2 of the Companies Act, 2013 are following:

Associate company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation – For the purpose of this clause, “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.



“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.

“Board of Directors” or “Board” means the Board of Directors of Mangalam Drugs & Organics Ltd, as constituted from time to time.

Key Managerial Personnel” (KMP) means Key Managerial Personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Key Managerial Personnel as per sub-section (51) of section 2 of the Companies Act, 2013.

“key managerial personnel”, in relation to a company, means –

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed;

Key Managerial Personnel as per Indian Accounting Standard (Ind AS) 24

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

“Material Related Party Transaction” – 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 listed entity as per the last audited financial statements of the company.

“Policy” means this Policy on related party transactions (including materiality of related party transactions and dealing with related party transactions).

“Related Party”

As per SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015,“related party” means a related party as defined under section 2 (76) of the Companies Act, 2013 or under the applicable Accounting Standards.



Related Party as per Section 2(76) of the Companies Act, 2013

As per section 2(76), related party with reference to a Company, means-

- (i) a director or his relative;
- (ii) a key managerial personnel (KMP) 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 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 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 company which is—
 - A. a holding, subsidiary or an associate company of such company; or
 - B. a subsidiary of a holding company to which it is also a subsidiary
- (ix) such other person as may be prescribed;

As per Rule 3 of Companies (Specification of definitions details) Rules, 2014-

- 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 related party.

“Relative”

As per section 2(77) of the Act, relative with reference to any person, means 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

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014-

- A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

- 1) Father:
Provided that the term “Father” includes step-father.
- 2) Mother:
Provided that the term “Mother” includes step-mother.
- 3) Son:
Provided that the term “Son” includes step-son.
- 4) Son’s wife.
- 5) Daughter.
- 6) Daughter’s husband.
- 7) Brother:
Provided that the term “Brother” includes step-brother.
- 8) Sister:
Provided that the term “Sister” includes step-sister



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

* `person` shall mean individual (Company interpretation).

** *Close members of the family of a person* are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- (a) that person's children, spouse or domestic partner, brother, sister, father and mother;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

*** *Key management personnel* are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The terms 'control', 'joint control' and significant influence' are defined in Ind AS 110, Ind AS 111, Joint Arrangements, and Ind AS 28, Investments in Associates and Joint Ventures, respectively and are used in this Standard with the meanings specified in those Ind ASs.



“Related Party Transaction” *as per regulations* means a transfer of resources, services or obligations between a listed entity and a related party, 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.

“Related Party Transaction” *as per Indian Accounting Standard (Ind AS) 24* is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

“Related Party Transaction” *as per Companies Act, 2013*, shall mean any contract or arrangement with a related party with respect to –

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party`s appointment to any office or place of profit in the company, its subsidiary company or Associate company; and
- underwriting the subscription of any securities or derivatives thereof, of the company.

“Transactions `in ordinary course of business`”

As per general understanding, “ordinary course of business” covers the usual/ routine transactions, customs and practices of a business and of a company. The ordinary course of business` may mean, transactions undertake in normal course, i.e. not undertaken in extraordinary or exceptional circumstances. With particular reference to the company - following transactions in the context of business of the company have been identified as Transactions `in ordinary course of business` of the company. These are only few examples and not an all inclusive list:

- Sale of Goods, Materials and Services;
- Purchase of Goods, Materials and Services;
- Reimbursement of actual out of pocket expenses incurred from/to the→ Company to/ from the Related Party;
- Payment of remuneration (including sitting fee, if any) to Related Parties from the company where they are working in a whole time position or as a director. Etc.

Transactions on an `Arm`s length basis` shall mean and include the transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

All Related Party Transactions should be approved by the Audit Committee. When required, the Audit Committee shall further refer such transactions to the Board of Directors or shareholders, in accordance with this Policy.



a) Identification of related parties

Each Director and Key Managerial Personnel (KMP) is responsible to notify to the Board regarding persons and entities to be considered as `Related Parties` by virtue of his/her being Director/ KMP in the company. Such Notice shall be issued to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

b) Identification of related party transactions

On the basis of related parties identified in application of exercise referred above, the Management is to intimate Audit Committee or Board, as may be required, of any potential Related Party Transaction with any person or entity, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Company has also formulated a process for determining whether the transaction is in the ordinary course of business and at arm's length basis. Board/Audit Committee is/are to determine whether the transaction genuinely constitutes a Related Party Transaction requiring compliance with this policy. For this purpose, the Company seeks external professional opinion, as necessary.

c) Procedure for approval of related party transactions

All Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy. The Committee shall review the transaction and recommend the same for approval of the Board and shareholders, if required, in accordance with this policy. The approval of Audit Committee, Board or Shareholders, as may be required under this Policy is to be taken prior to entering into the Related Party Transaction.

(A) Approval of the Audit Committee

- i) All Related Party Transactions require prior approval of Audit Committee either at a meeting or by resolutions by circulation.
- ii) The Audit Committee shall grant approval/ omnibus approval for Related Party Transactions proposed to be entered into by the company, in line with this policy on Related Party Transactions (including criteria for granting approvals/ omnibus approval) of the company.
- iii) For granting of approval & for review of approved Related Party Transactions, the Audit Committee shall 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 matter. The information shall specifically cover the following:
 - a) the name(s) of the related parties and nature of relationship;
 - b) nature, period/duration of the transaction/ contract / arrangement;
 - c) material/ salient terms of the transaction / contract / arrangement including the value, if any;



- d) maximum amount of transaction that can be entered into;
- e) in case of grant of omnibus approval-
 - the maximum value of the transaction, in aggregate, with all related parties taken together, in a financial year; - the maximum value per transaction which can be allowed
- f) the indicative base price / current contracted price and the formula for variation in the price, if any (applicable in case of omnibus approval);
- g) any advance paid or received for the transaction/ contract / arrangement, if any;
- h) whether the transaction/ contract / arrangement is in interest of the company;
- i) whether the transaction/ contract / arrangement is repetitive in nature (in past or in future) (applicable in case of omnibus approval);
- j) aggregate value/amount of transactions during the relevant Financial Year for which approval/ omnibus approval is being sought from/ has been given by the Audit Committee;
- k) any other information relevant or important for the Committee to take a decision on the proposed transaction.

iv) Criteria for granting approval/omnibus approval

- a) In determining whether to approve a Related Party Transaction, the Audit Committee is to consider inter-alia the following factors to the extent relevant to the Related Party Transaction:
 - whether the transaction is in the ordinary course of business of the company
 - whether the terms of the 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;
 - whether the transaction would affect the independence of the directors/KMP;
 - where the ratification of the 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;
- b) The Audit committee shall consider the following additional criteria/ factors while making the *omnibus approval* for the Related Party Transaction:
 - repetitiveness of the transactions (in past or in future);
 - justification for the need of omnibus approval;
 - the approval is in the interest of the company;
 - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a financial year, shall be as follows:
 - the maximum value of the transaction, in aggregate, with all related parties taken together, in a financial year, shall not exceed such amount as may be approved by the Audit Committee for each financial year, depending upon the transactions entered into during the previous financial years;
 - the maximum value per transaction which can be allowed shall be as follows:
 - the maximum value per transaction shall not exceed such amount as may be approved by the Audit committee for each financial year, depending upon the transactions entered into during the previous financial years, and where each invoice shall be considered as a separate transaction.



- The Audit 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.
- v) However, in case of related party transactions which cannot be foreseen and where the required details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 (one) crore per transaction.
- vi) 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.
- vii) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- viii) any other conditions as the Audit Committee may deem fit.
- ix) The Audit Committee is entitled to seek professional advice/ opinion relating to concerns, if any.

(B) Approval of the Board of Directors

Section 188 of the Act specifies certain kinds of transactions which, if they are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the 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 threshold and/or other parameters) require Board approval in addition to Audit Committee approval
- 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 the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

(C) Approval of the Shareholders of the Company

- 1) All the Material Related Party Transactions (other than transactions entered into by the company with its wholly owned subsidiary, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval) require prior approval of the shareholders through resolution and all entities falling under the definition of Related Parties are to abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.



2) All Related Party Transactions which are not in the Ordinary Course of Business and/or are not at Arms' Length Basis and are exceeding the limits mentioned in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 shall require prior approval of the shareholders through resolution. Related Parties to the contract or arrangement are to abstain from voting on such resolution. It is clarified that the 'Related Party' referred to here has to be construed with reference to the contract or arrangement under the particular resolution. Thus the term 'Related Party' in the given context, refers to only such related party as may be a related party in the context of the contract or arrangement for which the said resolution is being proposed.

DISCLOSURES

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 arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in the Policy above) on a quarterly basis to the stock exchanges.

The policy shall be published on the Company's website [http://www. mangalamdrugs.com](http://www.mangalamdrugs.com) and web link of the policy shall be disclosed in the Company's Annual Report.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with 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 failure of the internal control systems, and shall take any such action it deems appropriate in accordance with the provisions of Companies Act, 2013 and the Listing Regulations.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy to the extent these are not in contravention or any law or regulation in force.



AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

{ Amended w.e.f 08th May, 2017 }
