



MEGASTAR FOODS LIMITED

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POLICY ON RELATED PARTY **TRANSACTIONS**

I. Preamble

The Board of Directors of the Company has adopted the following policy with respect to Related Party Transactions, in compliance with the requirements of the Companies Act 2013 and Rules made thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time (the Regulations).

This policy is intended to ensure procedural fairness, proper approval and reporting of transactions between the Company and any of its related parties.

II. Objective

This policy is framed for complying with the requirement of the Regulation 23 of SEBI (Listing Obligation and Disclosures Requirements) Regulations, 2015 which provides that every listed company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

III. Definitions

- I. **"Act"** means the Companies Act, 2013 and the rules and regulations notified thereunder as amended from time to time.
- II. **"Arm's Length Transaction"** means a transaction among two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- III. **"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of the Regulations and Companies Act, 2013 as amended from time to time.
- IV. **"Board"** means Board of Directors of the Company.
- V. **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as may be amended from time to time.
- VI. **"Holding Company"** in relation to one or more other companies, means a company of which such Companies is a subsidiary company.
- VII. **"Independent Director"** means an independent director referred to in Section 149(6) of the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015(LODR) as amended



VIII. **"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;
- v. 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
- vi. such other officer as may be prescribed

IX. **"Material Related Party Transaction"**, transaction entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. However, 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

X. **"Material Modifications"** shall include all amendments or modifications in relation to Related Party Transaction which may result into modification of transactions in excess of 10% of the value already approved by the Audit Committee.

XI. **"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 business activity in question should be in furtherance of the business objectives of the Company and there should be a close proximity of the activity in question with the normal business of the Company.

XII. **"Policy"** means Related Party Transaction Policy.

XIII. **"Relative"** shall have the same meaning as defined in section 2(77) of the Act.

XIV. **"Related Party"** shall have the meaning as prescribed in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act, including all amendments and modifications thereof from time to time.

XV. **"Related Party Transaction"** means any transaction involving a transfer of resources, services or obligations between:-

- I. The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- II. The Company 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 Company or any of its subsidiaries, with effect from April 1, 2023

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.



Provided that the following shall not be a related party transaction:

- A. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- B. the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:-
 - (i) Payment of dividend;
 - (ii) Subdivision or consolidation of securities;
 - (iii) Issuance of securities by way of a rights issue or a bonus issue; and
 - (iv) Buy-back of securities.

XVI. **"Relative"** means relative as defined under the Companies Act, 2013 as may be amended from time to time.

XVII. **"Significant Influence"** means control of at least 20% (twenty percent) of the total share capital, or of business decisions under an agreement.

XVIII. **"Subsidiary Company"** or "Subsidiary" shall have the same meaning as defined in section 2(77) of the Act.

XIX. **"Transaction"** in relation to a Related Party means the contract or arrangement with the Related Party and shall include, where required, any transaction thereunder with a Related Party in that Financial Year, whether entered into individually or not.

IV. Related Party Transactions Statutory Approvals

A. Audit Committee Approval

1. All Related party Transactions (RPTs) and subsequent material modifications thereof shall require prior approval of the Audit Committee.
2. All Related Party Transactions of a subsidiary (ies) and subsequent material modifications, to which the Company is not a party shall require 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 consolidated turnover, as per the last audited financial statements of the Company(*upto March 31, 2023*)
 - exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary (*w.e.f. April 1, 2023*)

Further, only the Independent Directors who are members of Audit Committee shall approve the Related Party Transactions.



However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions.

Criteria for granting omnibus approval by the Board:-

- ✓ The Audit Committee while granting omnibus approval shall consider the repetitiveness of the transactions (in past or in future) and justification for the need of such approval.
- ✓ The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- ✓ The omnibus approval shall provide details of
 - I. the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - II. maximum value of transactions in aggregate which can be allowed under omnibus route in a year
 - III. such other conditions as the Audit Committee may deem fit from time to time

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1 Crore per transaction.

- ✓ The 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.
- ✓ In accordance with the Companies (Amendment) Act, 2015, as well as Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 w.e.f. December 14, 2015, such omnibus approval shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of the one year period.
- ✓ Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e., details of goods or property to be acquired/transferred or services to be rendered/availed –including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;



- Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as: market analysis, research report, industry trends, business strategies, financial forecasts, etc.; third party comparables, valuation reports, price publications including stock exchange and commodity market quotations; management assessment of pricing terms and business justification for the proposed transaction; comparative analysis, if any, of other such transaction entered into by the company.

The phrase "in ordinary course of business" is not defined in the Act. It has been generally understood to mean the following: -

- An activity in which a company is ordinarily engaged as its business;
- An activity required in conduct of business within normal commercial customs and usages;
- Transactions in the ordinary course of a company's current trade bona fide entered into and completed;
- Transactions which a company carries out frequently and is not a 'one-off' transaction or an isolated transactions;
- Transaction entered into to enable a company remain as a going concern;
- Provision in the Memorandum of Association or any legal obligation pursuant to which an activity is undertaken.

Whether a contract is in the ordinary course of business will have to be determined on the facts of each case and by considering the points mentioned above, not in isolation but in combination.

Information to be reviewed by the Audit Committee for Approval of RPTs

The listed entity shall provide the following information, for review of the Audit Committee for approval of a proposed RPT:

- Type, material terms and particulars of the proposed transaction;
- Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (Financial or otherwise)
- Tenure of the proposed transactions (Particular tenure shall be specified)
- Value of the proposed transaction;
- The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided)
- If the transaction relates to any loans, inter-corporate deposits, advances or investment made or given by the listed entity or its subsidiary:
 - i. Details of the source of funds in connection with the proposed transaction;
 - ii. Where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,



- Nature of indebtedness;
 - Cost of funds; and
 - Tenure;
- iii. Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv. The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- Justification as to why the RPT is in the interest of the listed entity;
 - A copy of the valuation or other external party report, if any such report has been relied upon;
 - Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - Any other information that may be relevant;

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

B. Board of Directors' Approval

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis or both, will be 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 which are intended to be placed before the shareholders for approval;

C. Shareholders' Approval

1. All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
2. 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 5% of the annual consolidated turnover of the company as per the last audited financial statements of the Company.



3. In addition to the above, All kinds of transactions specified under Section 188 of the Act which
- are not in the ordinary course of business or not at arm's length basis; and
 - exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 (for thresholds limit- refer below) are placed before the shareholders for its approval.

4. Related party limits

In the Companies Act the transaction wise limit has been prescribed. The thresholds are summarized below:-

S. No.	Description of Transaction	Threshold Limits
1	Sale, purchase or supply of any goods or material, directly or through appointment of agent.	Amounting to ten percent or more of the turnover of the company.
2	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.	Amounting to amounting to ten percent or more of net worth of the company.
3	Leasing of property any kind.	Amounting to amounting to ten per cent or more of the turnover of the company.
4	Availing or rendering of any services, directly or through appointment of agent.	Amounting to amounting to ten percent or more of the turnover of the company.
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration.	Exceeding two and a half lakh rupees.
6	Remuneration for underwriting the subscription of any securities or derivatives thereof.	Exceeding one percent of the net worth

5. Information to be provided to shareholders for consideration of RPTs.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:-

- A summary of the information provided by the management of the listed entity to the audit committee.
- Justification for why the proposed transaction is in the interest of the listed entity;
- Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders.
- Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis.
- Any other information that may be relevant.



V. Related Party Transactions That Shall Not Require Approval

Following transactions shall not require separate approval under this Policy:

- Any transaction pertaining to appointment and remuneration of Directors and Key Managerial Personnel("KMP")that has already been approved by the Nomination and Remuneration Committee of the Company or the Board or the shareholders as the case may be;
- Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Act or SEBI Regulations,;
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

VI. 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 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 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.

VII. DISCLOSURES

It shall be mandatory for every stakeholder of Megastar Foods Limited covered by this Policy to make a full advance disclosure, in writing to the Compliance Officer with all details of transactions that are proposed to be entered into by such a person with the Company, or by him on behalf of the Company with a Related Party.



- a) All newly appointed officials and directors shall disclose their interest in companies, firms or association of individuals at their first meeting of the Board of Directors attended by them and thereafter every year as per the provisions of Section 184 of the Act.
- b) Every official, director or KMP shall, in accordance with Section 189 of the Companies Act, within 30 days of his appointment or relinquishment of office disclose his concern or interest in any company or body corporate, firms or individuals including his shareholding and also contracts or arrangements in which he is directly or indirectly interested. [Section 184 of the Act].
- c) Any director or Official including KMPs shall promptly notify the Company of any material interest that such person or a Relative of such person had, has or may have in a Related Party Transaction. The notice shall include a description of the transaction and the aggregate amount.
- d) Disclosures in relation to related party transactions shall be made in the financial statements of the Company.

VIII. DISSEMINATION OF POLICY

This Policy shall be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

IX. Policy Review

In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

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 regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

The Board to review & update Policy at least every 3 years.

X. AMENDMENT

Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Act and SEBI Regulations. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail over 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.

This Policy is amended and approved by the Board on and effective from 30 May 2022.

For Megastar Foods Limited

Director