



**MEGASTAR FOODS LIMITED**

CIN: L15311CH2011PLC033393

Regd. Office: PLOT NO. 807, INDUSTRIAL AREA, PHASE-II  
CHANDIGARH- 160002

Tel: +91 1881 240401, E-Mail – [cs@megastarfoods.com](mailto:cs@megastarfoods.com)

Website: [www.megastarfoods.in](http://www.megastarfoods.in)

**POLICY ON RELATED PARTY TRANSACTIONS**

- **INTRODUCTION:**

The Board of Directors (the "Board") of Megastar Foods Limited (MFL) (the "Company"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company.

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) ("SEBI LODR") 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.

- **OBJECTIVE:**

The objective of this Policy is to set out:

- a. To ensure proper approval, disclosure and reporting of transactions, as applicable, between the Company and any of its related parties as per legal requirement and in the best interest of the Company and its stakeholders;
- b. the materiality thresholds for related party transactions and;
- c. to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of the related party transactions in terms of applicable laws.

- **DEFINITIONS:**

"Act" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

"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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

"Audit Committee or Committee" means "Audit Committee" constituted by the Board of Directors of the Company under provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("SEBI (LODR)") and Companies Act, 2013 as amended from time to time.

"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 per cent of total voting power, or control of or participation in business decisions under an agreement;

"Board of Directors" or "Board" means the Board of Directors of the Company, as constituted from time to time. "Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

"Material Related Party Transaction" in terms of SEBI LODR means a transaction to be entered into

with a Related Party, individually or taken together with previous transactions during a financial year:

- (i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
- (ii) In case of any other transaction(s), if the amount (exceeds Rs. 1,000 crores or) 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, [whichever is lower].

"Material Modification" in terms of SEBI LODR means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty percent) or more, in the relevant previously approved related party transaction.

"Ordinary Course of Business" means a transaction which is:

- i) Carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MOA') of the Company as amended from time to time,
- ii) historical practice with a pattern of frequency
- iii) in connection with the normal business carried on by the Company
- iv) the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity,
- v) common commercial practice
- vi) meets any other parameters / criteria as decided by the Board/Audit Committee.

"Policy" means Related Party Transaction Policy.

"Related Party" means related party as defined under Section 2(76) of the Companies Act, 2013 and the rules framed thereunder or under the applicable accounting standards:

[The following shall also be treated as the Related Party -

- a. all persons or entities forming part of promoter or promoter group irrespective of their shareholding;
- b. any person/entity holding equity shares in the listed entity, as below, either directly or on a beneficial interest basis at any time during the immediately preceding financial year:
  - i. to the extent of 20% or more
  - ii. to the extent of 10% or more w.e.f. April 1, 2023]

"Related Party Transaction or transaction ("RPT)" means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged.

Explanation A "transaction" with a Related Party shall be construed to include single or a group of transactions in a contract.

[The RPT shall include transactions between –

- a. 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;

b. 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 w.e.f. April 1, 2023.]

Any other term not defined herein shall have the same meaning as defined in the Act, Listing Regulations or any other applicable law or regulation, as amended from time to time.

- **POLICY AND PROCEDURE:**

- **Policy**

All Related Party Transactions [where the Company is a party to such transactions], must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

- **Procedures**

**A. Identification of Related Party Transactions:**

Every director shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

The Company will identify potential transactions with Related Parties based on written notices of concern or interests received from its Directors / Key Managerial Personnel as well as based on the list of related parties of the Subsidiary Companies, in the manner prescribed in the Companies Act, 2013 and the rules thereunder and SEBI LODR as amended from time to time.

**B. Review and approval of Related Party Transaction:**

**Audit Committee**

Every Related Party Transaction [and subsequent Material Modifications) shall be subject to the prior approval of the Audit Committee.

[Members of the audit Committee, who are independent directors, shall only approve related party transactions].

In the case of frequent/regular/repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre approval / omnibus approval subject to compliance of the conditions contained in the Companies Act, 2013 and SEBI LODR as amended from time to time.

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

## **C. CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS**

While considering any transaction, the Committee shall take into account all relevant facts and circumstances 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.

Prior to the approval, the Committee shall, inter-alia, be provided with the following factors to the extent relevant to the transaction:

- a. Type, material terms and particulars of the transaction;
- b. Names of the related party and their relationship with the Company or its subsidiaries, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified)
- d. Value of the proposed transaction;
- e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
- f. In case the proposed related party transaction involves a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis;
- g. If the transaction relates to any loans, inter-corporate deposits, advances or investments to be made or given by the Company or its subsidiaries:
  - (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: -
    - a. nature of indebtedness
    - b. cost of funds; and
    - c. 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 related party transaction.
- h. Justification as to why the proposed related party transaction is in the interest of the Company;
- i. A copy of the valuation or other external party report, if any such report has been relied upon;
- j. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- k. Any other information that may be relevant.

### **STANDING PRE-APPROVAL/OMNIBUS APPROVAL BY THE COMMITTEE**

In case of frequent/regular/repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval/omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction

- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price/current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended beyond the pre-approved variations. Any proposed variations/ amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only) in a year. The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

[Prior approval of the Audit Committee shall be required for -

- a. All RPTs and subsequent Material Modifications;
- b. RPTs where Company's subsidiary is a party but Company is not a party, if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the consolidated turnover of the Company, as per the last audited financial statements of the Company;
- c. with effect from April 1, 2023, a related party transaction to which the Company's subsidiary is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of such subsidiary.

Provided that prior approval of the audit Committee of the Company shall not be required for RPTs where a listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and 15 (2) of SEBI LODR are applicable to such listed subsidiary.]

The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

The Audit Committee shall also review the statement of significant related party transactions submitted by management as per its terms of reference.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information (as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time), to the extent relevant, with respect to actual or potential Related Party Transactions.

The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

### **Approval of the Board and the Shareholders**

All Related Party Transactions which are not in the ordinary course of business or not at the arm's length price shall require prior approval of the Board of Directors of the Company. Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Further, all related party transactions (which are not in the ordinary course of business or not at the arm's length price and are] exceeding threshold limits prescribed in the Act as per Annexure 1 shall also require prior approval of shareholders of the Company by way of Ordinary Resolution and [all entities falling under the definition of Related Parties shall not vote to approve the relevant transaction, irrespective of whether the entity is a party to the particular transaction or not.]

[Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time shall be provided in the Notice to the shareholders for consideration of RPTs.]

All the Material Related Party Transactions [and subsequent Material Modifications) shall require [prior] approval of the Board and shareholders through Ordinary Resolution and [no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.]

[Provided that prior approval of shareholders of the Company shall not be required for RPTs where listed subsidiary is a party but the Company is not a party, if regulation 23 and 15 (2) of SEBI LODR are applicable to such listed subsidiary.]

Provided that the aforesaid requirements shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Provided that the Material Related Transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval shall not require approval of the shareholders.

[Provided that the provisions pertaining to-

- Prior approval of the Audit Committee for all RPTs;
- Omnibus approval for RPTs; and
- Prior approval of shareholders for Material Related Party Transactions and subsequent Material Modifications shall not be applicable when the transactions are entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.)

### **TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL:**

Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party [including following:

(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. sub-division or consolidation of securities
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.]

### **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:**

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Audit Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

### **DISCLOSURES:**

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- [Material RPTs shall be provided in the notice to shareholders].
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall submit [enhanced disclosure of information related to RPTs to be provided to the stock exchanges every six months in the format specified by the SEBI with the following timelines:
  - i. within 15 days from the date of publication of financials;
  - ii. simultaneously with the financials w.e.f. April 1, 2023]and also publish the same on its website.
- The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

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



**DISSEMINATION OF POLICY:**

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

**POLICY REVIEW:**

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the SEBI LODR.

In case of any subsequent changes in the provisions of the Companies Act, 2013 and SEBI LODR or any other Regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the 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. Provided that this policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

\*\*\*\*\*