

# MEDI-CAPS LIMITED

(CIN: L70100MP1983PLC002231)

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## POLICY ON RELATED PARTY TRANSACTIONS

*Pursuant to section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015*

### SCOPE AND PURPOSE

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

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 (LODR) Regulations, 2015 (“Regulation 23”). Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, the Company 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. Going forward, such policy shall be reviewed by the Audit Committee and recommend the changes to the board of directors at least once in every 3 (Three) years or as per the discretion of the audit committee as per amendments made in the Companies Act, 2013 and Listing Regulations and will updated accordingly.

### DEFINITIONS

“**Arm’s length Transactions**” means a transaction between two or more Related Parties that is conducted as if they are unrelated so that there is no conflict of interest.

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

“**Board**” means the Board of Directors of Medi-caps Limited, as constituted from time to time.

“**Company**” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“**Control**” shall have the same meaning as defined in SEBI (SAST) Regulations, 2011

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

“**Ordinary course of Business**” means a transaction which is:-

- i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- ii. Historical practice with a pattern of frequency; or

- iii. Common commercial practice; or
- iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

**“Material Related Party Transaction”** 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 rupees one thousand crore or ten percent of the annual consolidated turnover* of the company as per the last audited financial statements of the company, whichever is lower.

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means Related Party as defined under Section 2 of the Companies Act, 2013, and regulation 2(1)(zb) of the Listing Regulations and/ or under the applicable accounting standards, as amended from time to time which has a wider scope for identification of Related Party.

**“Related Party Transaction”** shall have the same meaning as defined under Regulation 2(1)(zc) of the Listing Regulations.

**“Material Modifications in Related Party Transaction”** means increase of 10% or more in the amount of the transaction already approved by the Audit Committee.

**“Relative”** means relative as defined under section 2(77) of the Companies Act, 2013, as amended from time to time.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI LODR, SEBI Act, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation, unless the context otherwise require.

#### **MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations and Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 as amended from time to time requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the all the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

The Company has fixed its materiality threshold limit as follows:

<b>Nature of Transactions</b>	<b>Materiality as per Companies Act, 2013 (A)</b>	<b>Materiality as per SEBI (LODR)Reg.,2015 (B)</b>
Sale, purchase or supply of any goods or materials directly or through appointment of agents	10% or more of Turnover of the Company.	All transactions with one party exceeding Rs.1000 crore or 10% of the annual consolidated turnover of the Company, whichever is lower.
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	10% or more of the Networth of the Company.	
Leasing of any kind of property	10% or more of the Turnover of the Company.	
Availing or rendering of any services directly or through appointment of agents	10% or more of the Turnover of the Company.	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.2,50,000	
Remuneration for underwriting the subscription of any securities or derivatives thereof	Exceeding 1% of net worth	

Transfer of resources (e.g. loans and advances, interest thereon, guarantees)		
Transaction involving payments made to a related party with respect to brand usage or royalty		Transactions to be entered into individually or taken together with previous transactions during a financial year exceeding 5% of the annual consolidated turnover of the Company.

Here, Net worth and turnover would be as per Audited accounts of preceding financial year and the Company has defined Material RPTs on the basis of the thresholds defined in the Companies Act 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015

### **IDENTIFICATION OF RELATED PARTY AND TRANSACTIONS**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit 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/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

### **PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

#### ***Approval by Audit Committee:***

I) All related party transactions require prior approval of the Audit Committee. Only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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 consolidated turnover, as per the last audited financial statements of the Company.

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely:

- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
  - i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
  - ii. The maximum value per transaction which can be allowed;
  - iii. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
  - iv. 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;
  - v. transactions which cannot be subject to the omnibus approval by the Audit Committee
- b. 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
- c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- d. The omnibus approval shall specify:
  - (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into,
  - (ii) basis of arriving at the indicative base price / current contracted price and the formula for variation in the price if any and
  - (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for related party transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees 1 crore per transaction.

- e. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
- f. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- g. Any other conditions as the Audit Committee may deem fit.
- h. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the Policy.

Where the Company enters into a contract / transactions with a related party, which stipulates details of every transaction like nature of the transaction, period of transaction, contract price or methodology of price determination / variation, if any, maximum amount of transaction, credit terms etc., prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such agreement and such transactions will not require any additional approval of the Audit Committee.

***Approval by members in General Meeting/through Postal Ballot:***

- a) All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not.
- b) For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. However, this condition shall not apply in respect of a resolution plan approved u/s 31 of the Insolvency and Bankruptcy Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- c) All kinds of transactions specified under Section 188 of the Act which
  - are not at Arm's Length or not in the ordinary course of business; and
  - exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.
- d) However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- e) At the time of taking the approval of members, the company is required to disclose certain items in the Explanatory statement u/s 101 of the Companies Act, 2013 and shall contain all the particulars as specified in Rule 15 of the Companies (Meeting of Board and Its Powers) Rules, 2014, as amended from time to time.

***Information to be reviewed by the Audit Committee for approval of RPTs (pursuant to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662) dated 22<sup>nd</sup> November, 2021)***

The Company shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- a) Type, material terms and particulars of the proposed transaction.
- b) 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).
- c) Tenure of the proposed transaction (particular tenure shall be specified);
- d) Value of the proposed transaction
- e) 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);
- f) If the transaction relates to any loans, inter-corporate deposits, advances or investments 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.
- g) Justification as to why the RPT is in the interest of the listed entity
- h) A copy of the valuation or other external party report, if any such report has been relied upon.
- i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis
- j) 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.

**Information to be provided to shareholders for consideration of RPTs**

*(Pursuant to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662) dated 22<sup>nd</sup> November, 2021)*

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) A summary of the information provided by the management of the Company to the audit committee
- b) Justification for why the proposed transaction is in the interest of the Company;
- c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary.
- d) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders.
- e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f) Any other information that may be relevant

**DISCLOSURES**

The Company shall disclose the following:-

- 1) In the Board's report, transactions prescribed in Section 188(1) as specified in Form AOC-2;
- 2) The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report;
- 3) In the Annual Report as prescribed in Schedule V of the SEBI (LODR) Regulations, 2015;

- 4) The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

#### **REVIEW OF THE POLICY**

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee and recommend the changes to the board of directors at least once in every 3 (Three) years and updated accordingly due to any regulatory amendments or otherwise and shall be binding on the concerned Directors. KMPs and Senior Management Persons in the manner described as above.

The Policy is approved by the Board of Directors at their meeting held on 25.05.2022.

**For, MEDI-CAPS LIMITED**

**S/d-**

**ALOK K GARG**

**MANAGING DIRECTOR**

**DIN: 00274321**