

# ASIT C. MEHTA FINANCIAL SERVICES LTD

CIN: L65900MH1984PLC091326

Registered Office: 'Nucleus House', Saki Vihar Road, Andheri (East), Mumbai: 400072

Tel: 28570781 / 28583333

## POLICY ON RELATED PARTY TRANSACTIONS

### **Preamble**

The Board of Directors of the Asit C. Mehta Financial Services Limited (“the Company”) has adopted this policy upon recommendation of the Audit Committee. The said policy includes materiality thresholds and the manner of dealing with Related Party Transactions in compliance with the requirement with of Section 188 of the Companies Act, 2013 and the Rules thereunder and Clause 49 of the listing agreement with the Stock Exchange. The Board of Directors based on the recommendation of the Audit Committee, will consider the amendments, if any, from time to time, to the Policy.

This policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the shareholders.

### **Definitions:**

**Arms Length transaction:** It is a transaction between two related parties that is conducted, as if they were unrelated, so that there is no conflict of interest.

**Control:** As per the Companies Act, 2013, it includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

**Material Related Party Transactions:** As per the Listing Agreement, a transaction with a related party shall be considered material if 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.

**Related Party:** “Related Party” a means related party as defined under the Companies Act, 2013 read with Clause 49 of the Listing Agreement and as amended from time to time.

**Related Party Transaction:** means

- for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- for the purpose of Clause 49 of the Listing Agreement, any transaction involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**Relative:** means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

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- a. Members of a Hindu undivided family;
- b. Husband and wife;
- c. Father (including step-father);
- d. Mother ( including step-mother);
- e. Son ( including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother ( including step-brother); or
- j. Sister (including step-sister).

“**Transaction**” with a related party shall be construed to include a single transaction or a group of transactions.

“**Key Managerial Personnel**” means Key Managerial Personnel as defined under the Companies Act, 2013.

## **MATERIALITY THRESHOLDS**

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Clause 49(VII)(C) of the Listing Agreement.

## **MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

### **Identification of related parties**

A list of related parties will be prepared by the Company as prescribed under Section 2(76) of the Act read with the Rules framed there under and Clause 49 of the Listing Agreement.

### **Identification of Related Party Transactions**

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Each Director and Key Managerial Personnel shall inform the Audit Committee/Board of any potential Related Party Transaction involving him/her or his/her relative or an entity in which he /she is interested as mentioned above. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the

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meeting during the discussion on the subject matter of the resolution relating to such contract or arrangement and shall abstain from voting.

## **Procedure for Approval of Related Party Transactions**

All Related Party Transactions require prior approval of the Audit Committee of the Company.

### Omnibus Approval

The Audit Committee shall grant omnibus approval to Related Party Transactions that are

- a. repetitive in nature; and/or
- b. entered in the ordinary course of business and are at Arm's Length.

The expression Arm's Length has the meaning ascribed to it under Section 188 of the Companies Act, 2013.

Such omnibus approval will be granted to the transactions which in addition to meeting the above criteria, also satisfy the following considerations:

- a. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- b. Such omnibus approval shall specify
  - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - (ii) 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;

However, in case of Related Party Transactions which cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

c. 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.

d. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

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**Test of ascertaining whether the transactions with related parties are on arm's length basis:** A contract/arrangement with a related party will be considered to be at arm's length if the terms and conditions of such contract/arrangement are substantially the same as they would be if entered into with unrelated parties of similar profile, and if such contracts/arrangements have been commercially negotiated. The company shall obtain a certificate from its auditors or any agency so appointed for the purpose, to the effect that the transactions that have been/are to be entered into with related parties, are in accordance with the most appropriate pricing methodology. Reference may be made to the provisions of the Income Tax Act, 1961 for arriving at this conclusion.

**Test of ascertaining whether the transactions with related parties are in the ordinary course of business:** In order to decide as to whether any transaction is in the ordinary course of business, the Company will take into account various criteria including the following:

- (a) Whether it is relevant to the attainment of the Main objects of the Company as set out in its Memorandum and Articles of Association.
- (b) Whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past.
- (c) Whether the transaction value is within reasonable range for similar types of transactions.

The Audit Committee shall confirm to the Board of Directors, whether the Related Party Transactions, entered into by the Company during the period under consideration were on an arm's length basis and in the ordinary course of its business.

If due to any subsequent changes in law, any part of this policy becomes inconsistent with such law, the provisions of the said law will prevail and the Company will endeavor to make necessary modifications in this policy at the earliest.

## **Approval of the Board of Directors of the Company**

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 and 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:

- a. 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;

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- b. 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;
- c. 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.
- d. Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

## **Approval of the Shareholders of the Company**

All the transactions with related parties meeting the materiality thresholds, as mentioned above are placed before the shareholders for approval.

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.

Clause 49(VII) (E) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

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

## **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 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.

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## **REVIEW OF POLICY**

1. The Audit Committee will review this policy on a periodic basis, but in any case at a frequency not exceeding one year
2. The amendments, if any, to the policy will be placed before the Board of the Company for approval
3. The Chairman of the Company may issue such guidance and clarifications as may be deemed necessary for the implementation of this Policy.

## **DISSEMINATION OF INFORMATION**

1. The Company will upload this policy on its website and the link of the same will be mentioned in the Annual Report.
2. The Company shall make the required disclosures in its Annual Report.