



POLICY ON RELATED PARTY TRANSACTIONS

A. PREAMBLE

Modern Shares & Stockbrokers Limited (MSSL) is dedicated to the highest standard of ethics and integrity and has successfully applied these standards to the business. MSSL has always been committed to good corporate governance including matters relating to transactions with related parties. At present, our responsibilities to the investment community demand even greater dedication to these qualities and ethics.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("the Act") read with the Rules framed thereunder and Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), MSSL has formulated guidelines for identification of related parties and proper conduct and documentation of all related party transactions. Also, Regulation 23 of Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, MSSL 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.

B. OBJECTIVE

This Policy is designed to govern the transparency of approval process and disclosure requirements to ensure fairness in conduct of related party transactions.

The objective of this Policy is to set out: -

- Materiality thresholds for related party transactions; and
- Manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of Listing Regulations and any other laws and regulations as may be applicable to the Company, from time to time.

C. DEFINITIONS

"Arms 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.

"Audit Committee" means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of Listing Regulations.

"Board" means the Board of Directors of the Company

“Key Managerial Personnel” (“KMP”) includes

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. any Whole-time Director(s);
- iii. the Company Secretary;
- iv. the Chief Financial Officer

“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 its Memorandum & Articles of Association.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(zb) of Listing Regulations.

“Related Party Transaction” means-

- i. for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- ii. for the purpose of Regulation 23 and defined under Regulation 2(zc) of Listing Regulations, 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.

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

D. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

- i. The Director –CFO and the Company Secretary shall at all times maintain a data base of the Company’s Related Parties containing names of individuals, firms, private companies, public companies etc., identified on the basis of declarations made by the Directors & KMP from time to time. The List of Related Parties shall be updated as and when necessary and shall be reviewed on a quarterly basis.
- ii. The List of Related Parties and any amendments thereto will be circulated to the Executive Directors once in every quarter and on any subsequent updations.
- iii. Prior to entering into transactions with Related Parties the concerned Divisional Head will send the details of the draft contract, basis of pricing and other supporting documents to Director, CFO and the Company Secretary promptly.
- iv. All Executive Directors of the Company will certify to the Audit Committee as to whether the transactions are being entered into in the ordinary course of business and at arms’ length basis without any conflict of interest.

E. MATERIALITY THRESHOLDS

Regulation 23 of Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. Presently, 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. However, payments for brand usage/royalty to related party exceeding 5% of consolidated Turnover will also be considered as material Related Party Transaction.

In case of any change in the materiality thresholds by way of amendment in the Listing Regulations the revised thresholds will be applicable automatically.

F. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

I. Approval of the Audit Committee

1. All related party transactions will be placed for prior approval of the Audit Committee.
2. The Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the Company based on the criteria as approved by the Board of Directors, from time to time, subject to the following conditions:
 - i. The Audit Committee shall satisfy itself that the transactions are repetitive in nature and that such approval is in the interest of the company;
 - ii. The Omnibus approval shall provide:-

the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;

- a. the indicative base price/current contracted price and any probable variation thereto;
- b. such other conditions as the Audit Committee may deem fit;

Provided that where the need for related party transaction 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 one crore per transaction.

- iii. The Audit Committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given; and
- iv. Such omnibus approval shall be valid for a maximum period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

II. Approval of the Board of Directors of the Company

All transactions specified under Section 188 of the Act and which are not in the ordinary course of business or not at an arm's length basis, will be placed before the Board for its approval.

III. Approval of the Shareholders of the Company

- i. All the transactions with related parties, meeting the materiality thresholds shall be placed before the shareholders for approval.
- ii. For this purpose, all entities falling under the definition of related parties shall not vote to approve irrespective of whether the entity is a party to the particular transaction or not.
- iii. In addition to the above, all transactions specified under Section 188 of the Act which are not in the ordinary course of business or at arm's length basis and exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended, are to be placed before the shareholders for its approval.
- iv. As provided in Regulation 23 of Listing Regulations 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 and placed before the shareholders for approval.

G. Disclosures

- i. The Company shall also disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not on an arm's length basis along with the justification for entering into such transaction.
- ii. In addition to the above, as and when applicable the Company shall also provide details of all related party transactions meeting the materiality threshold, on a quarterly basis along with the compliance report on Corporate Governance to the stock exchanges.
- iii. The Company shall on half yearly basis submit within 30 days from the date of publication of its standalone and consolidated financial results, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- iv. The Company shall disclose as and when applicable in the Corporate Governance report, transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results effective from April 01, 2019.

H. Non-Compliance of Policy

If a related party transaction is entered into by the Company without being approved under the policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and all options available to the Company including ratification, revision or termination of the 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 the Policy, and take such action as it may deem appropriate.

A related party transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after any Officer/Director of the Company becomes aware of such transaction.

In a case where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee may direct additional actions including, but not limited to immediate discontinuation of the transaction. In connection with such review, the Audit Committee has the authority to modify or waive any procedural requirements of the Policy.

I. AMENDMENTS

This Policy may be amended, modified or substituted by the Audit Committee subject to the approval of the Board. In case of any amendment to the provisions relating to related parties in the Act and the Rules made thereunder or the Listing Regulations, this Policy shall stand amended/modified accordingly. However the policy has to be reviewed at least once in every three years.

J. Conflict with Statutory Provisions

In case of any conflict of any terms of the Policy with the Act and/or the Listing Regulations the provisions of the Act and/or the Listing Regulations shall prevail.