

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTION AND  
DEALING WITH RELATED PARTIES  
MARINE ELECTRICALS (INDIA) LIMITED**

### **1.1 Background**

The Board of Directors (the “Board”) of Marine Electricals (India) Limited (the “Company”) has adopted the following policy with regard to related party transactions in line with the requirements of Section 177, 188 and other applicable provisions of Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014 (hereinafter referred to as ‘the Act’), and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ‘SEBI Listing Regulations, 2015’), including any amendments in the above mentioned Act/ Regulations/ Guidelines.

Regulation 23 (1) of the SEBI Listing Regulations, dealing with Related Party Transactions requires a listed entity to formulate a policy on materiality of related party transactions and on dealing with the Related Party Transactions. This Policy is formulated to comply with the requirement of said regulation/guidelines.

### **1.2 Objective**

The objective of the policy is to provide basis on which the Materiality of Related Party Transactions will be determined and the manner of dealing with the Related Party Transactions.

### **1.3 Applicability**

This Policy shall be applicable to all Related Party Transactions entered by the Company.

### **1.4 Review and approval of the policy**

The policy will be reviewed by Audit Committee and approved by the Board of Directors at least annually or as and when required.

## **2. Policy Requirements**

### **2.1 Dealing with Material Related Party Transactions**

In respect of all Material Related Party Transactions, the Company shall obtain approval of the shareholders through a resolution and all related parties shall abstain from voting on resolution irrespective of whether the Related Party is a part of particular transaction or not.

### **2.2 Dealing with Related party transactions**

**2.2.1** The Company shall obtain prior approval of the Audit Committee in respect of all Related Party Transactions.

**2.2.2** The Audit committee is empowered to grant omnibus approval for Related Party Transactions proposed to be entered into by the Company.

**2.2.3** Before granting any approval, the Audit Committee shall satisfy itself that the approval is in the interest of the Company.

**2.2.4** The Audit Committee may grant omnibus approval to those transactions which are frequent / regular /repetitive in nature or other transactions upto such size as the Audit Committee may deem fit.

**2.2.5** Any proposal seeking omnibus approval shall specify i) the name(s) of the related party, (ii) the nature, period and maximum amount of transaction that can be entered into, (iii) indicative base price / current contracted price and formula for variation in price, if any and (iv) any other detail(s) as may be specified by the Audit Committee as may deem fit or stipulated by the Company from time to time.

**2.2.6** When a Related Party Transaction cannot be foreseen and/or details as mentioned in the clause 2.2.5 are not available, the Audit Committee may grant omnibus approval for such transactions of value not exceeding Rs.1 crore per transaction.

*In case such transaction exceeds the threshold limit of Rs. 1 Crore and Company propose to continue the omnibus approval of the Audit Committee for said transaction, in such scenario, to continue the said transaction the Company is required to give the necessary disclosures/ information before the Audit Committee and Audit Committee shall evaluate such transaction in light of the above mentioned criteria's for Omnibus approval of Audit Committee;*

**2.2.7** Audit Committee shall review, on quarterly basis, or as may be required, the details of all Related Party Transactions entered into by the Company pursuant to omnibus approval accorded by it.

**2.2.8** The omnibus approval granted by the Audit Committee shall be valid for a period not exceeding one year and the Audit Committee is empowered to grant fresh approval on expiry of such validity period.

**2.2.9** The consent of the board of directors is required, by a resolution at a meeting of the Board, for entering into related party transactions within the thresholds specified in section 188 of the Act and which are (i) not in the ordinary course of business, or (ii) not at an arm's length price.

**2.2.10** In case any related party transactions are referred by the Company to the Board for its approval, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

**2.2.11** No member of the Audit Committee / Board shall participate in the review or approval of any Related Party Transactions in which such member is interested.

**2.2.12** If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under section 188 of the Act, it shall require shareholders' approval by a resolution. In such a case, any member who is a related party shall not vote on resolution passed for approving such related party transaction.

## **2.2 Related Party Transactions not approved under this policy**

**2.3.1** In case the Company becomes aware of any Related Party Transactions that have not been approved as per Para 2.1 and 2.2, of the Policy prior to their consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee may after considering all the relevant facts and circumstances regarding the Related Party Transaction, evaluate all options available, including ratification, revision or termination of Related Party Transaction and may take appropriate decision. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transactions and shall take any such action as it deems appropriate.

**2.3.2** In case the Audit Committee does not deem fit to ratify a Related Party Transaction under para 2.3.1 above, that has commenced without approval, the Audit Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction or such other matter as it may deem appropriate. The Audit Committee also have the authority to modify or waive any procedural requirement of the Related Party Transaction to suit the provision of this policy.

**2.3.3** In other circumstances, the Audit Committee may recommend to the Board and the same shall be empowered to take decision in respect of such Related Party Transaction, as it may deem appropriate in the matter.

## **3. Reporting**

- Adequate disclosure of Material Related Party Transaction(s) with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
- The Company shall submit within 30 days from the date of publication of its financial results for the half year, 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.
- Any other reporting shall be done as prescribed in applicable regulation.

## **4. Appendices**

### **4.1 Definition**

**4.1.1 "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 and as defined in Section 188 of the Companies Act, 2013.

4.1.2 “**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.

4.1.3 “**Audit Committee of Board**” means a committee of Directors constituted in terms of Section 177 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014.

4.1.4 “**Board**” or “**Board of Directors**”, in relation to a Company, means the collective body of the Directors of the Company.

4.1.5 “**Control**” means the right or the ability to appoint majority of the directors or to control the management or policy decisions of the target company, 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.

4.1.6 “**Directors**” means the Directors appointed to the Board of the Company.

4.1.7 “**General Meeting**” means and includes Annual General Meeting and/or Extraordinary General Meeting.

4.1.8 “**Joint Venture**” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

4.1.9 “**Key Managerial Personnel**” means the following whole-time key managerial personnel of the company:

- Managing Director & CEO
- Wholetime Director
- Chief Financial Officer (CFO) and
- Company Secretary

4.1.10 “**Material Related Party Transaction**” as per Regulation 23 of the Listing Regulations means:

(a) a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

(b) 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.

**4.1.11 “Related Party”** with reference to company means related party as defined under section 2(76) of the Act read with Rule No. 3 of Companies (Specification of definitions details) Rules, 2014, Accounting Standard 18 (‘AS 18’) and Regulation 2(1)(zb) of the SEBI Listing Regulations and as may be amended from time to time.

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

**4.1.12 “Relative”** a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

**4.1.13** As per 2(77) of the Companies Act and Rule 4 of Companies (specification of definitions details) Rules, 2014 i.e.

- Members of HUF
- Spouse
- Father (includes step-father)
- Mother (includes the step-mother)
- Son (includes the step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (includes the step-brother)
- Sister (includes the step-sister)

**4.1.14 “Related party transaction”** means a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. This includes any transaction pursuant to the provisions of Companies Act, 2013 read with relevant rules thereunder.

**4.1.15 “Subsidiary company”** or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company:

- controls the composition of the Board of Directors; or
- exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

**4.1.17 “Turnover”** means the aggregate value of the realisation of amount made from sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for the Company, the ‘turnover’ will be considered as the ‘Total Income’, i.e., gross premium income + other income.