

**POLICY ON RELATED PARTY TRANSACTIONS**  
**OF**  
**MALU PAPER MILLS LIMITED**

# **POLICY ON RELATED PARTY TRANSACTIONS**

**Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

## **I. SCOPE AND PURPOSE OF THE POLICY**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. 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 (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”), Malu Paper Mills Limited (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.

## **DEFINITIONS**

**For the purposes of this policy, the following definitions apply:**

- a) **“Act”** means the Companies Act, 2013.
- b) **“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.
- c) **Board** means the Board of Directors of Malu Paper Mills Limited;
- d) **“Company”** means Malu Paper Mills Limited.
- e) **Policy** means this Policy on Related Party Transactions.
- f) **“Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.
- g) **“Related Party”** means related party as defined in the Clause 49 of the Listing Agreement which is as follows:

An entity shall be considered as related to the Company, if:

- (a) such entity is a related party under Section 2(76) of the Companies Act, 2013 ; or
- (b) such entity is a related party under the applicable Accounting Standards.

- h) **Related Party Transaction** means a transaction as envisaged as a related party transaction under the Companies Act, 2013 or under the Listing Regulations (as amended from time to time).
- i) **Material Related Party Transaction** means 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, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

## **II. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:**

### **i) Identification of Related Parties:**

Based on declarations / disclosures received from the Directors / KMP, from time to time, the list of Related Parties shall be identified.

### **ii) Identification of Related Party Transactions:**

In the event that a proposed transaction is to be entered into with any of the parties identified as a Related Party in the list of the Related Parties, the proposed transaction shall be considered as a Related Party Transaction.

### **iii) Procedure for approval of Related Party Transactions:**

- a) **Approval of the Audit Committee:** All Related Party Transactions would require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
  - The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
  - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

- The 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.
- Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.
- The 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 where the above details are not available, the Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 Crore per transaction.*

- b) **Approval of the Board of Directors:** In terms of the provisions of Section 188 of the Act, all kinds of transactions specified therein and which are not in the ordinary course of business and at arm's length basis, shall be placed before the Board for its approval. Further, if the Audit Committee determines that a particular Related Party Transaction should be brought before the Board, then the Board shall consider and approve the same. The agenda of the Board Meeting at which approval for Related Party Transactions is sought shall disclose the necessary details as required under the Act and the Equity Listing Agreement. Any Director / KMP having potential interest in any Related Party Transaction shall not participate in discussions and voting.
- c) **Approval of the Shareholders of the Company:** Shareholder's approval shall be sought in the following cases:
- i. All the Material Related Party Transactions shall require approval of the shareholders through Special Resolution and the related parties shall abstain from voting on such resolution.

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 exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- ii. 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 if any, whose accounts are consolidated with the Company.
- iii. Transactions, other than the Material Related Party Transaction, with the related parties which are either not in the Ordinary Course of Business or not on an arm's length basis, under provisions of Section 188 of the Companies Act, 2013 shall also require the prior approval of the Shareholders and the Related Parties shall abstain from voting on such resolution.

**iv) Related Party Transactions that shall not require Approval:**

Following transactions shall not require separate approval under this policy:

- a) Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
- b) Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- c) Payment of Dividend;
- d) Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

**v) 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 under this Policy, 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 but not limiting to ratification, revision or termination of such Related Party Transaction.

**vi) Disclosure Requirements:**

Details of all Related Party Transactions meeting the materiality threshold as given in the Policy shall be disclosed on a quarterly basis along with the compliance report on corporate governance to the stock exchanges.

The Company shall disclose the Policy on its website and a web link shall be provided in the Annual Report.

**vii) Review and Amendments to the Policy:**

The Audit Committee of the Company shall review and may amend this policy from time to time, subject to the approval of the Board of Directors of the Company.

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

**viii) DISSEMINATION OF POLICY:**

This Policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net of the Company.

**ix) VIOLATION:**

Violation of the Policy/Provisions in any manner shall be dealt with in accordance with provisions of law and Company's prescribed rules if any.

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*The policy on Related party transactions has been amended in accordance with Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.*