

MIRC ELECTRONICS LTD

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POLICY ON RELATED PARTY TRANSACTIONS

1.1 Objective :

This Policy is framed to ensure compliance of the applicable provisions of the Companies Act, 2013 & Rules made there under (the Act), and Clause 49 of the Listing Agreement (Clause 49), as amended or re - enacted from time to time and intended to ensure the proper approval and reporting of transactions between the Company and related parties. Such transactions are appropriate only if they are in best interest of the Company and the shareholders.

2 Definitions :

2.1 Arms' Length Transactions: The expression "Arm's Length Transaction" shall mean the transaction carried on between the Company and the Related Party that is considered as if they were unrelated, so that there is no conflict of interest.

2.2 Ordinary Course of Business:

The Term "Ordinary Course of Business" shall mean and include :

- (i) the usual transactions, customs and practices carried on generally and also by the Company as well. However, it shall not include the following transactions :
 - (a) Complex equity transactions such as corporate restructuring or acquisitions.
 - (b) Leasing of surplus space in the premises or rendering of management services by the Company to any Related Party without adequate consideration, and vice versa.
 - (c) Transactions with unusually large discounts or returns or consideration.
- (ii) In the light of (i) above, the following transactions shall, inter alia, be deemed to have been made in the Ordinary Course of Business.
 - (a) Any transaction covered in the Main Objects or the Objects incidental to attainment of the Main Objects, as envisaged in the Memorandum and Articles of Association of the Company.
 - (b) Any transaction which has been done by the Company frequently in the last three years.
 - (c) Any transaction done with a Related Party on similar basis as of with a Third Party.

2.3 Related Party: a party shall be considered as related to the company if "

- 1) Such entity is a related party under Section 2 (76) of the Companies Act, 2013;
 - a) Director or his relative

- b) a Key Managerial Personnel or his relative*:
 - c) a firm in which a Director, Manager or his relative is a partner.
 - d) a private Company in which a Director or Manager or his relative* is a member or Director.
 - e) a public Company in which a Director or Manager is a Director and holds along with his relatives* more than two percent of the paid up share capital.
 - f) Any body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with advice, directions or instructions of a Director or Manager.
 - g) any person on whose advise, direction or instruction a Director or Manager is accustomed to act (provided that nothing in sub - clause (f) & (g) shall apply to the advise, directions or instructions given in a professional capacity).
 - h) A Company which is
 - i. a holding, subsidiary or an associate Company of such companies.
 - ii. a subsidiary of a holding Company to which it is also a subsidiary
 - i) any other person ie Director or KMP of holding Company or his relative* shall also be a related party.
- 2) such entity is a related party under applicable accounting standards

2.4 KMP: Key Managerial Personnel shall means as defined under Section 2(51) of the Act.

- (i) The Chief Executive Officer or the Managing Director or the Manager
- (ii) The Company Secretary
- (iii) The Whole-time Director
- (iv) Chief Financial Officer
- (v) Such other officer as may be prescribed.

2.5 Relative*: "Relative" in respect of the Company's Directors and Key Managerial Personnel shall be as defined under Section 2(77) of the Companies Act.

- (i) Members of HUF
- (ii) Husband and Wife
- (iii) A person is related to other in such manner as prescribed namely
 - Father (includes step father)
 - Mother (including step mother)
 - Son, including step son
 - Son's Wife
 - Daughter,
 - Daughter's husband
 - Brother, including step brother
 - Sister, including step sister

2.6 Related Party Transaction(s):

- (i) A Related Party transaction(s) is a transfer of resources, services or obligation between the Company and a Related Party, regardless of whether price is charged. A transaction with a Related Party shall be construed to include single transaction or a group of transaction.
- (ii) A Related Party transaction(s) shall mean the transactions, contracts and arrangements prescribed in Section 188 of the Act and / or Clause 49. The following transactions shall, inter alia, qualify to be Related Party Transactions :

- (a) Sale, purchase or supply of any goods or materials ;
- (b) Selling or otherwise disposing of, or buying, property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property ;
- (f) Such Related Party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company ; and
- (g) Underwriting the subscription of an securities or derivatives thereof of the Company.

For the purposes of this Policy, the words "Contract or Arrangement" are used inter - changeably.

2.7 Material Related party Transactions.

A related party transaction/s shall be considered Material Related party Transaction, if the transaction/s to be entered into with a Related party individually or taken together with previous transaction/s during a financial year exceed the limits as given below:

Sr. No.	Transactions	Limits as per Companies Act 2013
a	Sale, purchase or supply of any goods or materials, directly or through appointment of agents;	exceeding 10% of the turnover of the Company or Rs 100 crores whichever is lower.
b	Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agents;	exceeding 10% of the net worth of the Company or Rs 100 crores which ever is lower.
c	Leasing of property of any kind;	exceeding 10% of the net worth of the Company or 10% of the turnover of the Company or Rs 100 crores which ever is lower.
d	Availing or rendering of any services directly or through appointment of agents;	exceeding 10% of turnover of the Company or Rs 50 crores which ever is lower.
e	Appointment to any office or place of profit in the Company, its subsidiary Company or associate Company ;	at a monthly remuneration exceeding two and half lakh rupees.
f	Underwriting the subscription of any securities or derivatives thereof, of the Company.	exceeding 1% of the net worth of the company.

*As per Clause 49 the limits for above (a) to (d) is 10% of the annual consolidated turnover of the Company as per last audited financial statement of preceding Financial Year.

3. Identification and Disclosure of Related Parties:

- 3.1** Each Director, Key Managerial Personnel or Related Parties whenever wishes to enter into a Related Party Transaction with the Company involving either him / her or his / her relative shall give a prior Notice to the Company along with all the relevant details and documents.
- 3.2** Notice of any Related Party Transaction shall be given well in advance so that the Company has adequate time to obtain additional information or document about the proposed Related Party Transaction, if necessary, which is required to be placed before the Audit Committee to enable it to approve the Related Party Transaction.
- 3.3** Every Director, Key Managerial Personnel shall also make annual disclosures as under :
- a. List of Relatives
 - b. List of Private Companies where the Company's Director, Manager or his relative(s) is either a Director or a member.
 - c. List of firms where the Company's Director or his relatives are partners
 - d. List of public companies in which any Director is also a Director and he along with his / her relatives holds more than 2% of the shareholdings.
- 3.4** Every Director and Key Managerial Personnel shall also promptly intimate any change in the annual disclosures.

4. Review and Approval of Related Party Transactions (RPT)

4.1 Approval by the Audit Committee :

- (i) The Company shall not enter into any Related Party Transactions except with the prior approval of the Audit Committee.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions :

- (a) Such approval shall be applicable in respect of transactions which are repetitive in nature.
- (b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company ;
- (c) 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 ;

Provided that in special circumstances 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 the value not exceeding Rs 1 crore per transaction.

- (d) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given.

- (e) All existing Related Party contracts or arrangements to continue beyond March 2015 will require to be approved by the Audit Committee. Approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Notices referred to in Clause 3.1 above received by the Company from the Directors, Key Managerial Personnel shall be forwarded to the Company Secretary with a direction to place it at the meeting of the Audit Committee.

- 4.2 The Audit Committee will consider the information / documents related to Related Party Transactions placed before it and either approve or reject the same on merit.
- 4.3 If any member of the Audit Committee is interested in any Related Party Transaction with a Related Party, such member shall not be present at the Audit Committee Meeting, neither during the discussions on the subject matter nor at the time of voting on the resolution relating to such Related Party Transaction.

5.0 Approval of the Board:

- 5.1 All Related Party transaction should be placed at the Board Meeting however the following Related Party Transactions shall, after the approval of the Audit Committee, also be approved specifically by the Board

- a. Transactions not in arm's length
- b. Transactions not in ordinary course of business
- c. Material related party transactions defined in Clause 2.7

- 5.2 The Board of Directors shall consider the information / documents placed before it and either approve or reject the proposed Related Party Transactions with a Related Party, referred to in Clause 5.1
- 5.3 The Board of Directors shall also obtain approval of the shareholders, if applicable by way of a Special Resolution for the approval of the Related Party Transactions at the General Meeting or through Postal Ballot.
- 5.4 If any Director is interested in any Related Party Transaction with the Related Party, he / shall not be present at the Board Meeting, neither during the discussion on the subject matter, nor vote on the resolution relating to such Related Party Transaction.

6. Approval by the Shareholders:

- 6.1 No transaction, contract or arrangement of Material Related Party transactions referred in Clause 2.7 shall be carried out / entered into with a Related Party, without the prior approval by way of Special resolution of the shareholders.
However in case of wholly owned subsidiary the special resolution passed by the Holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and holding company.
- 6.2 If the approval of the shareholders is proposed to be sought at the General Meeting / Postal Ballot, the Board of Directors shall fix the date of such General Meeting and shall also approve the Notice and the Explanatory Statement of the same. The Explanatory Statement to be attached to such Notice shall inter alia include the following particulars :

- a. Name of the Related Party ;
- b. Name of the Director or KMP who is related, if any.
- c. Nature of Relationship ;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement ;
- e. Any other information relevant or important for the members to take a decision on the proposed resolution.

Any other information which is relevant to enable the shareholders to take an informed decision.

6.3 In case approval is proposed to be sought through Postal Ballot, the Board of Directors shall approve the Notice and Explanatory Statement (including therein the particulars mentioned in (a) to (e) of Clause 6.1 of the same and the Special Resolution proposed to be passed by the shareholders.

6.4 Statement for approval of the Related Party Transactions by the shareholders at a General Meeting or through a Postal Ballot :

- i. Shall be sent to the shareholders at least 21 (twenty one days) in advance, and ;
- ii. Shareholders shall be given option to cast their votes through e-voting.

6.5 No Related Party shall vote on such Resolution relating to any transaction, contract or arrangement which is proposed to be entered into by the Company, with such Related Party.

7. Ratification of Exceptional Cases

7.1 Any transaction, contract or arrangement entered into by the Company with a Related Party, without obtaining the consent of the Audit Committee or Board of Directors or approval of shareholders by a Special Resolution of the General Meeting, can in genuine cases be ratified by the Audit Committee or Board of Directors or the shareholders at a General Meeting, as permitted in the Act.

7.2 If the approval sought from the Audit Committee, Board of Directors and the shareholders under Clause 7.01 is not granted, the transaction contract or arrangement shall be voidable at the option of Board and the Director or the concerned Employee shall be liable to indemnify the losses, if any, caused to the Company on account of the said Related Party Transaction.

7.3 For the purpose of indemnification of loss, as referred to in Clause 7.2, it will be open for the Company to proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of the provisions of the Act, for recovery of such loss.

8. Disclosures :

8.1 The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.

8.2 Every transaction, contract or arrangement entered into with Related Parties shall be referred to in the Board Report of the Board of Directors to the shareholders along with justification for entering into such transaction, contract or arrangement.

8.3 Details of all material transactions, with Related Parties shall be disclosed to the Stock Exchanges where the securities of the Company are listed, on quarterly basis along with the compliance report on corporate governance pursuant to Clause 49.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and also provide a link in the Annual Report.

9. Miscellaneous

9.1 This Policy shall be deemed to have come into force with effect from date of its adoption.

9.2 If any provision of this Policy contravenes any provision of the Act, and Clause 49, that provision of this Policy shall always be deemed to have been amended since inception in line with the applicable provisions of the Act, Accounting standards across and Clause 49 of the Listing Agreement.
