



MELSTARR

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Preamble and Purpose

The Board of Directors (the “Board”) of Melstar Information Technologies Limited (the “Company” or “Melstar”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee may review and amend this policy from time to time.

The purpose of this policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

This policy is framed as per the requirement of Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is intended to ensure proper reporting and approval of transactions between the Company and its Related Parties.

2. Applicability

This policy will be applicable to the Company in the context of its transactions between the Company and its Related Parties based on the applicable laws and regulations.

3. Definitions

“**Act**” shall mean the Companies Act, 2013 and the Rules framed and Circulars and Notifications issued thereunder, including any modifications, amendments thereto or re-enactment thereof.

“**Listing Agreement**” shall mean the fresh listing agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**Transactions on an arm’s length basis**” means transactions between two related parties which are conducted as if they were unrelated, so that there is no conflict of interest.

“**Associate Company**” in relation to another company, means a company in which that other company has a significant influence, but which is not a

Melstar Information Technologies Limited

CIN: L85493MH1986PLC040604

Registered Office:

Unit No. 1302, 13th floor, “Raheja Centre”, The Free Press Journal Marg, Nariman Point, Mumbai – 400 021

Email: cs@melstarrtech.com; Mobile +91 9321030069

subsidiary company of the company having such influence and includes a joint venture company.

Explanation—“significant influence” means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.

“Joint Venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“**Audit Committee**” or “**Committee**” means the Audit Committee of the Board of Directors of the Company.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company.

“**Company**” means Melstar Information Technologies Limited.

“**Key Managerial Personnel**” shall mean –

- i. the Chief Executive Officer or the Managing Director or the manager;
- ii. the Company Secretary;
- iii. the whole-time Director;
- iv. the Chief Financial Officer; and
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board and
- vi. such other officer as may be prescribed.

“**Material Related Party Transaction**” would mean any transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceeding the threshold amount specified in the section under Material Related Party Transactions.

“**Policy**” means the Policy of the Company on Related Party Transactions.

“**Related Party**” means a related party as defined under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards.

Related Party under Section 2(76) of the Companies Act, 2013 and rules thereunder means –

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager or his relative is a member or director;

- v. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act;

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.

- viii. any body corporate which is—
 - a. a holding, subsidiary or an associate company of such company; or
 - b. a subsidiary of a holding company to which it is also a subsidiary;
 - c. an investing company or the venturer of the Company.

Explanation- “The Investing Company or the venturer of a Company means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate.

- ix. a director, other than an independent director, or key managerial personnel of the holding company or his relative; and
- x. such other person as may be prescribed by the Central Government.

“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

- i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- ii. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b. Corporate actions (viz. dividend, rights, bonus, sub-division, consolidation, buy-back, etc.) by subsidiaries of a listed entity and corporate actions

- received by the listed entity or its subsidiaries which are uniformly applicable to all shareholders in proportion to their shareholding.
- c. Retail purchases from any listed entity or its subsidiary by its directors/ employees, without establishing a business relationship and at the terms which are uniformly applicable to all directors and employees.

“Relative” - A person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- i. Member of a Hindu Undivided Family;
- ii. Spouse;
- iii. Father (including step-father);
- iv. Mother (including step-mother);
- v. Son (including step-son);
- vi. Son’s wife;
- vii. Daughter;
- viii. Daughter’s husband;
- ix. Brother (including step-brother); and
- x. Sister (including step-sister).

4. Policy

a. Identification of potential Related Party Transactions

For Identification of potential Related Party Transactions, the following shall be observed:

- i. Each Director/Key Managerial Personnel shall provide written notice to the Company Secretary of any potential Related Party Transaction involving him or her /his or her relatives, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary, in consultation with the Chief Financial Officer, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- ii. Every Director/ Key Managerial Personnel of the Company, who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- iii. Where any Director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.

- iv. A contract or arrangement entered into by the company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.

b. Review and approval of Related Party Transactions

i. Audit Committee

- ✓ Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting of the Committee or by a resolution passed by circulation. However, Audit Committee may grant omnibus approval for the Related Party Transactions proposed to be entered into with the Company and also by the Company's subsidiary(ies) which are repetitive in nature and subject to such criteria/conditions as mentioned under in Regulation 17 to 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- ✓ Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of such transaction.
- ✓ The Committee shall be provided with the necessary information to review a Related Party Transaction, to the extent relevant with respect to the actual or potential Related Party Transactions or as prescribed under the Companies Act, 2013 and rules thereunder and as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ✓ Transactions entered into between a holding company and its wholly owned subsidiary, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, shall not require prior approval of the Audit Committee. However, all Related Party Transactions would continue to be reported to the Audit Committee on a quarterly basis.

Omnibus Approval for RPTs of subsidiaries:

- For RPTs entered by subsidiaries where listed entity is not a party (see note below), omnibus approval of audit committee can be taken in line with omnibus approval undertaken by the listed entity.
- Audit committee need to set criteria for granting the omnibus approval.
- Audit committee shall also review the RPTs of subsidiaries that were approved under omnibus route on quarterly basis.

– Omnibus approval of audit committee of listed entity can be taken for unforeseen RPTs of subsidiaries (where listed entity is not a party).

Note: As per SEBI LODR Regulations, for RPTs entered by subsidiaries of listed entity, where listed entity is not a party, approval of audit committee of listed entity is required if the transaction (whether entered individually or taken together with previous transactions during a financial year) exceeds 10% of standalone turnover of the subsidiary (as per the last audited financial statements of the subsidiary).

ii. Board

- ✓ If the Committee determines that a Related Party Transaction should be brought before the Board or if the Board, in any case, decides to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction.
- ✓ The considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be appropriate and necessary under the circumstances.

iii. Shareholders

- ✓ All Material Related Party Transactions shall require approval of the Shareholders through special resolution.
- ✓ All transactions, other than Material Related Party Transactions, which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the Shareholders through special resolution if so required under any law.
- ✓ The Related Party/ies with whom the transaction is to be entered into shall abstain from voting on such resolution.

Exemptions from obtaining approval of Audit Committee and Shareholders Transactions entered into,

- (i) between two Public Sector companies; or
- (ii) between the Company and its wholly owned subsidiary, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; or
- (iii) transactions entered into between two wholly owned subsidiary of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; or

- (iv) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on the one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (v) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.”
- (vi) Remuneration and sitting fees paid by listed entity or its subsidiary to its directors, KMPs or senior management (excluding promoters/promoter group) is now exempt from the requirement of prior approval of audit committee provided the transaction is not material. Further, no disclosure is required to be made to the stock exchanges for the same.

However, all Related Party Transactions would continue to be reported to the Audit Committee on a quarterly basis

c. Material Related Party Transactions

Material Related Party Transactions shall be transactions with Related Parties which exceed the threshold limits prescribed below:

Category of Transactions	Material Related Party Transactions - Companies Act 2013	Material Related Party Transactions - Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
Sale, purchase or supply of any goods or materials	Amounting to 10% of turnover* or Rs. 100 crores, whichever is lower	Exceeds Rs. 1000 Crore or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower
Selling or otherwise disposing of or buying property of any kind		
Leasing of property of any kind		
Availing or rendering of any services	10% or more of the turnover* or Rs. 50 crores, whichever is lower	

Appointment of such Related Party to any office or place of profit in the Company, its subsidiary company or associate Company	At a monthly remuneration exceeding Rs.2.5 lakhs	
Underwriting the subscription of any securities or derivatives thereof, of the Company	Remuneration exceeding 1% of net worth*	
Any other transaction	Not applicable	

*Calculations of thresholds as a percentage of turnover or net worth shall be based on the Audited Financial Statement of the preceding financial year for the purposes of the Companies Act, 2013.

5. **Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action as it deems appropriate.

Post facto ratification of RPTs:

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;

- (v) any other condition as specified by the audit committee;

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.”

6. General Principles

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, Directors and Shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- iii. The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - a. To seek information from any employee.
 - b. To obtain external legal or other professional advice.
 - c. To secure attendance of external persons with relevant expertise, if considered necessary.
 - d. To investigate any Related Party Transaction.
- iv. The CFO of the Company is authorized to issue necessary guidelines/instructions and enunciate detailed procedures within the framework of this Policy for implementation of this Policy.
- v. The Company, while entering into any Related Party Transaction, shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to its Policy.

7. Disclosures

Details of all material transactions with Related Parties shall be disclosed to stock exchanges quarterly along with the compliance report on Corporate Governance, in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The policy on dealing with Related Party Transactions shall be disclosed on the website of the Company and web-link of the policy on website shall be provided in the Annual Report.

8. Amendments

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

9. Amendments in Law

Any subsequent amendment/modification in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/or other applicable laws in this regard shall automatically apply to this Policy.

10. Interpretation

- a. Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Accounting Standards or any other relevant legislation / law applicable to the Company.
- b. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.
