

Mewat Zinc Limited

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POLICY ON RELATED PARTY TRANSACTIONS

PREAMBLE

Mewat Zinc Limited (the "Company") recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests. The Company must specifically ensure that certain Related Party Transactions are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, the Board of Directors of the Company has adopted the following policy and procedure with regard to Related Party Transactions (the 'Policy'). The Policy envisages the procedure governing related party transactions required to be followed by the Company to ensure compliance with the applicable laws and regulations. The Audit Committee will review and may amend this Policy from time to time.

EFFECTIVE DATE

This Policy shall become effective from the date of its adoption by the Board i.e. 30th March, 2015.

PURPOSE

This Policy is framed based on the requirements of amended clause 49 of listing agreement entered by the Company with the stock exchanges and also to comply with the provisions of Section 188 of the Companies Act, 2013 and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

DEFINITIONS

"Act" shall mean the Companies Act, 2013 and the Rules framed there under, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

"Arm's Length basis" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest according to the Income Tax Act, 1961.

"Associate Company" means any other company, in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company.

Explanation - For the purposes of this clause, "significant influence" means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

"Audit Committee" or **"Committee"** means Committee of the Board of Directors of the Company constituted for audit related purpose.

"Board" means Board of Directors of the Company.

"Key Managerial Personnel" means key managerial personnel as defined under the Companies Act, 2013 and includes (i) Chief Executive Officer, (ii) Chief Financial Officer and (iii) Company Secretary.

"Related Party" means a person or an entity:

- (i) Which is related party under section 2(76) of the Companies Act, 2013; or
- (ii) Which is a related party under the applicable accounting standards

Related party under section 2(76) of the Companies Act, 2013 and rules made there under are as follows:

- (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 is a member or director;
- (v) A public company in which a director or manager is a director or 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 (vi) and (vii) above shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) Any company which is -
 - (a) A holding, subsidiary or an associate company of such company;
 - (b) A subsidiary of a holding company to which it is also a subsidiary;
- (ix) Director or key managerial personnel of the holding company or his relative; or
- (x) Such other persons as may be prescribed by Central Government.

"Related Party Transaction" means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged. **"Material Related Party Transaction"** means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent (10%) of the annual

consolidated turnover of the company as per the last audited financial statements of the Company, as provided in clause 49 (VII) (c) in the Listing Agreement.

"Relatives" with reference to any person means anyone who is related to another, if -

- (i) They are member of a Hindu Undivided Family;*
- (ii) They are husband and wife; or*
- (iii) One person is related to the other person as :
 - (a) Father (including step-father)*
 - (b) Mother (including step-mother)*
 - (c) Son (including step-son)*
 - (d) Son's wife*
 - (e) Daughter*
 - (f) Daughter's husband*
 - (g) Brother (including step-brother)*
 - (h) Sister (including step-sister)**

"Transaction" with a related party shall be constructed to include a single transaction o a group of transactions.

POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Audit Committee in accordance with this Policy.

A Procedures for review and approval of Related Party Transactions

(i) Disclosure by Directors and KMP's

Every director and KMP shall at the beginning of the financial year or whenever there is any change in the disclosure already made provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this Policy. Directors and KMP's are also required to provide the information regarding their engagement with other entity(ies) during the financial year which may be regarded as related party according to this Policy. Any individual appointed as director or KMP shall provide declaration to the Company Secretary in the prescribed format.

(ii) Identification of transaction with related parties

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. The Board shall record the disclosure of interest and the Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. The directors and KMPs will ensure that their notice of any potential Related Party

Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

(iii) Review and approval of Related Party Transactions

Audit Committee

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation any such approval granted by Resolution by circulation must be ratified by the Audit Committee at its next meeting. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arm's Length basis for a period not exceeding one year. The Audit Committee shall, among others, consider the following factors while deliberating the Related Party Transactions for its approval:

- Name of the party and details explaining nature of relationship;*
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;*
- Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;*
- Nature of transaction and material terms thereof including the value, if any;*
- Manner of determining the pricing to ascertain whether the same is on arm's length basis;*
- Business rationale for entering into such transaction.*
- Period of transactions.*
- Maximum amount of transaction that can be entered into.*

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant with respect to actual or potential Related Party Transaction(s) and/or prescribed under the Companies Act, 2013 and Rules made there under and the listing agreement with the stock exchanges.

Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

If the Committee determines that a Related Party Transaction is (i) a Material Related Party Transaction or (ii) a transaction not in the ordinary course of business or not at an arm's length price, the Audit Committee shall place the matter before the Board for approval.

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.

Board

Where approval of the Board of Directors is required for any Related Party Transaction or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's

review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances. Any Director/ KMP having potential interest in any Related Party Transactions shall not participate in discussion and voting on the approval of the Related party Transaction.

Shareholder's Approval

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Party(ies) with whom transaction is to be entered shall unless it is exempted pursuant to clause 49 abstain from voting on such resolution.

All the transactions, other than the Material Related Party Transactions, with the Related Parties 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 and the Related Parties shall abstain from voting on such resolution.

Clause 49(VII)(E) of the Equity Listing Agreement provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company. However in absence of similar exemption under the Act such transactions between the Company and its subsidiaries too would be placed before the shareholders of the Company for their approval provided they meet the materiality thresholds in terms of the Policy read with the Act and Clause 49, as amended.

(iv) Determination of Ordinary Course of Business

"In the Ordinary Course of Business" means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine of managing trade or business and is not a standalone transaction. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determination what is in the ordinary course business.

(v) Transactions not requiring approval

Pursuant to clarification provided in circular No.30/2014 dated 17th July, 2014 of Ministry of Corporate Affairs, Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.

(vi) Determination of Arm's Length nature of the Related Party Transaction

(a) Price Determination

At the time of determining the arm's length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- a) *Permissible methods of arm's length pricing as per applicable law including such prices where the benefits of safe harbor is available under the applicable law;*
- b) *For the said purposes, the Audit Committee shall be entitled to rely on professional opinion in this regard.*

(b) Underwriting and screening of arm's length Related Party Transaction

- a. *A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening/selection criteria/ underwriting standards and procedures as may be applicable in case of an unaffiliated party;*
- b. *The Compliance Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.*

(c) Related Party Transaction limits

- a. *The Related Party Transaction must be within the lower of the following transaction limits with respect to Related Party:*
 - *Limits on Material Related Party Transactions; and*
 - *Expected transaction volumes based on past transactions with Related Parties using linear rate of growth as evidenced by past data.*
- b. *Credit limits extended to the Related Party must be usual as for unaffiliated parties.*

If the Audit Committee is of the opinion that the Related Party Transaction meets the aforesaid criteria of Ordinary Course of Business and the Arm's Length nature, the Related Party Transaction will not be treated as a Related Party Transaction for the purpose of this Policy.

(vii) 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 prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all 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 may examine the facts and circumstances of the case and take such action it deems appropriate.

B. General Principles

- (i) *It shall be responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.*
- (ii) *The Independent Directors of the Company 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 :*
- *To seek information from any employee;*
 - *To obtain outside legal or other professional advice;*
 - *To secure attendance of outsiders with relevant expertise, if it considers necessary;*
 - *To investigate any Related Party Transaction.*
- (iv) *The Chief Financial Officer of the Company is authorized to issue necessary guidelines/ instructions for implementation of this Policy.*

C. Disclosures

Every material RPT or RPT which is not on arm's length basis shall be disclosed in board report.

Details of all material transactions with Related Parties shall be disclosed to the stock exchanges 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 web-link shall be provided in the Annual Report.

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party as per section 189

D. Amendment in law

Any subsequent amendment/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.

E. Interpretation

In any circumstance where the terms of this policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as this policy is changed to conform to the law, rule, regulation or standard.
