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POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

MATANGI RUBBER LTD.

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

Under Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

1) INTRODUCTION

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Regulations") requires every Listed Company to formulate a Policy on materiality of related party transactions of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board.

The Board of Directors ("the Board") of Matangi Rubber Limited ("the Company") has adopted the following policy and the Board may amend this policy from time to time.

2) OBJECTIVES OF THE POLICY

The objective of this Policy is to set out

a) Identification of the Related Parties;

b) The materiality threshold for related party transactions;

c) Material modification thereof

d) The manner of dealing with the transaction between the Company and its related parties based on the Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

All Related Party Transactions should be referred to the Audit Committee of the Company for prior approval. The Audit Committee shall also approve any subsequent modifications of RPT. The Audit Committee may also grant omnibus approval for certain category of transactions, which shall be valid for period not exceeding one financial year and shall require fresh approval for the next financial year.

3) DEFINITIONS

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

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) **"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 purpose of this clause, "Significant Influence" means Control of at least twenty per cent of total voting power, or control of or participation in business decisions under an Agreement.

d) **"Audit Committee"** means the audit committee of the board of Directors of the Company.

e) **"Board"** means the Board of Directors of the Company.

f) **"Company"** means Matangi Rubber Limited.

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g) **"Key Managerial Personnel"** or **"KMPs"** means Key Managerial Personnel as defined under the Act and rules made thereunder;

h) **"Material Related Party Transaction"** means a transaction/ contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, exceeds rupees one thousand crore or ten percent of the annual turnover of the Company as per last audited financial statements of the Company;

i) **"Materiality Threshold"** means limits for related party transactions beyond which approval of the shareholders' as specified in Companies Act, 2013 and rules thereof and amendments thereto will be required.

j) **"Ordinary Course of Business"** with reference to a transaction with a related party means a transaction which is:

- carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
- historical practice with a pattern of frequency;
- common commercial practice: or meets any other parameters / criteria as decided by the Board/Audit Committee, from time to time.

k) **"Policy"** means this policy, as amended from time to time.

l) **"Related Party"** in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act or under applicable accounting standards.

m) **"Related Party Transaction"** means as defined under applicable Indian accounting standards or Listing Regulations or shall mean all the transaction as specified under Section 188 of the Act and rules prescribed thereunder as amended time to time.

n) **"Relative"** means any person as per Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the Listing Regulations as amended from time to time;

Any term or reference not defined in this policy shall have the same meaning and reference as defined under the Act and Listing Regulations as amended from time to time.

4) MATERIAL MODIFICATION OF RELATED PARTY TRANSACTION:

Material Modification to such Related Party Transaction means and includes any modification to an existing related party transaction having a variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be or Rs 1 crore, whichever is higher subject to the conditions as specified in Listing Regulations and Companies Act.

5) ASCERTAINING AND IDENTIFICATION OF RELATED PARTY

A. ASCERTAINING RELATED PARTY:

a) Every Director/KMP shall at the beginning of the financial year at the first meeting of the Board in which he participates and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures 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.

b) Directors/KMPS are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

c) All of the subsidiaries of the Company, before entering into a Related Party Transaction which may require approval of the Audit Committee & members of the Company under this Policy, to the attention of the Company about such proposed Related Party Transaction(s), so that the requisite approvals shall be obtained by the Company

d) Company Secretary shall at all times maintain a database of Company's Related Parties in Management Information System (MIS) & it shall be updated whenever necessary and shall be reviewed in each quarter.

B) IDENTIFICATION OF RELATED PARTY

e) Every Director, KMP, Divisional CEO/CFO & the Departmental Heads will be responsible for providing prior Notice to the Company Secretary/CFO of any potential transaction with Related Party.

f) The Divisional CEO/CFO & the Departmental Heads shall submit to the Chief Financial Officer the details of all existing/proposed transaction along with supporting information as per Table-A below:

Table-A	
Details required for Approval of Audit Committee	
Sr. No.	**Particulars**
1.	The name/s of the Related Party
2.	Nature of transaction
3.	Period of transaction
4.	Maximum amount of transaction that can be entered into
5.	The indicative base price/current contracted price and the formula for variation in the price, if any
6.	Such other conditions/ information as required under the Act and Listing Regulations, as amended from time to time

g) Chief Financial Officer shall submit his notes to the Audit Committee giving his comments as to whether existing/proposed transaction(s) are on arms' length basis and in ordinary course of business.

h) The Committee will give due consideration to Chief Financial Officer notes while deciding whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

6) APPROVAL TO RELATED PARTY TRANSACTIONS

All Related party transactions (and subsequent material modifications) will require prior approval of Audit Committee, provided that only those members of the audit committee, who are independent Directors, shall approve related party transactions. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

The Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:

A) Name of party and details explaining nature of relationship
B) Duration of the contract and particulars of the contract and arrangement
C) Nature of transaction and material terms thereof including the value, if any.
D) Manner of determining the pricing to ascertain whether the same is on arm's length

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E) Business rationale for entering into such transaction and
F) Any other information relevant or important for the Board to take a decision on the proposed transaction

All related party transactions and subsequent material modifications shall require prior approval of the audit committee the Company provided that: -

a) a related party transaction to which the subsidiary of the Company is a party but the company is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten (10) per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary

b) prior approval of the audit committee of the company shall not be required for a related party transaction to which the listed subsidiary is a party but the company is not a party, if regulation are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in herein above, the prior approval of the audit committee of the listed subsidiary shall suffice.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to 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 aggregate amount of transactions/any particular transactions approved/to be approved under Omnibus Approval shall not exceed the limit specified by the Audit Committee of the company.

- 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 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 their value not exceeding Rs.1 crore per transaction.

- 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 approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

6.2) Approval of Board of Directors

Following Related Party Transactions shall require the approval of Board:

i. The following related party transactions shall further require approval of the Board, either prior to the transaction or approval/ratification within three (3) months from the date of transaction, if not in ordinary course of business or on arm's length basis.

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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 any securities or derivatives thereof, of the Company

Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

ii. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
iii. Where the transaction(s) as specified in Section 188(1) of the Act is not in ordinary course of business and/ or not at arm's length; Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval; and
iv. All Related Party Transactions which are intended to be placed before the shareholders for approval.

6.3) Approval of Shareholders

6.3.1. All material related party transactions shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

6.3.2. All Related Party Transactions as per Section 188 of the Companies Act, 2013, If such related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds the thresholds limits as prescribed in the Act and rules thereof, shall require shareholders' approval by a special resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.

6.3.3. However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are with the Company and placed before the shareholders at the general meeting for approval.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- Subject to the provisions of the Act, in the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action as it deems appropriate.

- In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of

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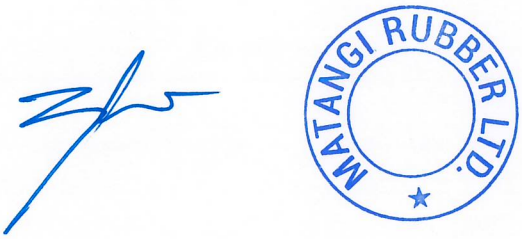
compensation for the loss suffered by the related party, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. REPORTING OF RELATED PARTY TRANSACTIONS

a) Every contract or arrangement, which is required to be approved by the Board / shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
b) Every material RPT or RPT which is not on Arm's Length basis or such other details as may be required under the Act or Regulations shall be disclosed in the Annual Report with proper justification for entering into such transactions.
c) The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
d) The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.
e) Details of RPTs shall be submitted to the stock exchanges in the format as specified by SEBI from time to time on half-yearly basis and copy of the same will be posted on the website of the Company.
f) The Company shall submit on the date of publication of its standalone and standalone financial results for the half year, disclosures of related party transactions on a standalone basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

9. AMENDMENTS

The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment / modification in the Act or the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

10. EFFECTIVE DATE

Provisions of the regulations under this Code shall be applicable to the company from the date when the securities of the company are listed on Stock Exchanges