



MONARCH
NETWORK CAPITAL

Monarch Network Capital Limited

**POLICY ON
RELATED PARTY TRANSACTIONS**

1. PREAMBLE

The Board of Directors, acting upon recommendation of Audit Committee of the Company ("the Committee"), has adopted the policy considering the requirements of Companies Act 2013 read with Rules made there under and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on materiality of Related Party Transactions ("RPTs") and also on dealing with RPTs which consists of a need for proper identification, conduct and documentation of the RPTs.

2. OBJECTIVE

The Company recognizes that RPTs can present potential or actual conflicts of interest and may raise questions about whether such transactions are fair and on arm's length basis. Therefore, this Policy on RPTs has been formulated as required by Listing Regulations.

This Policy applies to any RPTs, unless the transaction is exempt.

The key objective of this Policy is to set out (a) the materiality thresholds for RPTs and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI LODR and any other statute as may be applicable to the Company.

3. DEFINITIONS

3.1 "**Act**" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications or re-enactment thereof.

3.2 "**Arm's Length Transaction**" ('ALP') means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

3.3 "**Audit Committee or Committee**" means the Committee of the Board constituted from time to time under the provisions of the Act and Listing Regulations.

3.4 "**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.

3.5 “**Board**” means the Board of Directors of the Company as defined under the Act.

3.6 “**Company**” means Monarch Network Capital Limited.

3.7 “**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

3.8 “**Key Managerial Personnel**” means Key Managerial Personnel as defined under Section 2(51) of the Act.

3.9 “**Material Related Party Transaction**” means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds the following:

- i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the listed entity as per its last audited financial statements.
- ii) In case of any other transaction(s), if the transaction amount exceeds 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

3.10 “**Policy**” means Policy on Materiality and Dealing with Related Party Transactions

3.11 “**Related Party**” means a related party as defined under section 2 (76) of the Act and/or Regulation 2(zb) of the Listing Regulation or under the applicable accounting standards and any amendments thereto, if any and as amended from time to time.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

3.12 “**Related Party Transaction**” means any *transaction* between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- 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 the 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;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees.

(The above is an indicative list and not an exhaustive one).

Explanation - A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

3.13 **"Relative"** means a relative as defined under the Act and includes any one who is related in any of the following manner -

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

3.14 **"Subsidiary Company"** means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

3.15 **"The Listing Regulations"** shall mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any modifications, amendments, clarifications or re-enactment thereof

3.16 **"Transaction"** with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations or any other applicable law or regulation.

4. POLICY

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre -approval/ omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

4.1 IDENTIFICATION OF RELATED PARTY TRANSACTIONS:

Each Director and Key Managerial Personnel on an annual basis is responsible for providing declaration to the Company Secretary on Related Parties involving him / her and his / her Relative, including any additional information that the Company Secretary may reasonably request.

Further, the Director / Key Managerial Personnel shall intimate the Company Secretary as and when any changes are required to the Related Parties, as mentioned in the declaration.

The Company Secretary shall maintain a database of Related Parties containing the names of individuals and companies identified based on the definition of Related Party and declaration provided by the Directors and Key Managerial Personnel.

The database shall be updated whenever necessary and shall be reviewed on a timely basis and would be communicated to the functional departments. The functional / business heads / Chief Financial Officer/Company Secretary/ shall have access to the updated database.

The functional departments / business heads shall submit to the head of Finance & Accounts and the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Audit Committee as explained subsequently) with draft agreement or other supporting documents justifying that the transactions are on arm's length basis at prevailing market rate.

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company

Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on such information, the Company Secretary will take it up for the necessary approval from the Audit Committee of the Company under this Policy.

4.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

4.2.1 CONSIDERATION BY THE AUDIT COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

1. All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
2. Any member of the Committee who has a potential interest in any related party transaction will not remain present at the meeting and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.
3. The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the Listing Regulations and the Act and such other 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.
4. Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.
5. A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

4.2.2 APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

4.2.3 APPROVAL BY THE BOARD

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

4.2.4 APPROVAL BY THE SHAREHOLDERS

If a related party transaction is

- (i) a material transaction as per the Listing Regulations, Or
- (ii) Not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Act, it shall require shareholders' approval. In such a case, any member of the Company who is a related party shall not vote on resolution passed for approving such related party transaction.

Thresholds limited for material RPTs are as under:

Nature of RPT	Materiality as per the Act	Materiality as per Listing Regulations
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.	Exceeding 10% of Turnover	All transactions with related party to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover as per last audited
Selling or disposing of or buying of any kind property directly or through appointment of agent	Exceeding 10% of Networth	

Leasing of property of any kind	Exceeding 10% of Turnover	financial statement
Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of Turnover	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 2.50 Lakhs	
Remuneration for underwriting the subscription of any securities or derivatives thereof	Exceeding 1% of Net worth	

4.2.5 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE AUDIT COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/ amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be for seen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs. 1,00,00,000/- (Rupees One Crore). The details of such transaction shall be reported at the next meeting of the Audit Committee

for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy.

The omnibus approval shall be valid for a period of one year.

4.2.6 APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

All Material Related Party Transactions shall require approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolution.

4.2.7 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee may deem appropriate under the circumstances.

5. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Act.

6. LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / The Act or any other statutory enactments, rules, the provisions of such Listing Regulations / The Act or statutory enactments, rules shall prevail over this Policy.

7. DISSEMINATION OF POLICY

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company

and shall be hosted on the intranet and website of the Company and web link thereto shall be provided in the annual report of the Company.

8. REVIEW

The Board of directors shall review this policy atleast once in every three years and update accordingly.