

MSP STEEL & POWER LIMITED

POLICY ON MATERIALITY

(A Route to Policy on Related Party Transaction)

(To be effective from 1st October, 2014)

(As amended from 19th January, 2016)

INTRODUCTION

In line with the requirement of Regulation 23(1) of the Listing Obligations & Disclosure Requirements, 2015 with the Stock Exchanges, The Board of Directors of the Company has adopted "Policy on Materiality herein after named as "Policy" on 19th January, 2016 to regulate the Related Party Transaction as defined below and to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Audit Committee will review and may amend this policy from time to time. The said policy adopted on 1st October, 2014 have been amended from 19th January, 2016

DEFINITIONS

- i. "Act" means Companies Act, 2013 and the Rules made thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- ii. "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.
- iii. "Audit Committee" means committee of the Board of Directors of the Company
- iv. "Key Managerial Personnel" mean personnel in line with the provisions of sec 203 of the Companies Act, 2013 and the Rules framed there under.
- v. "Company" means MSP Steel & Power Limited
- vi. "Material Related Party Transaction" means a related party transaction which individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the latest audited financial statements
- vii. "Related party" with reference to the Company means a party as defined under the provisions of the Company's Act, 2013 read with the relevant Rules made there under and Clause 49 of the Listing Agreements entered into with the various Stock Exchanges and as amended from time to time.
- viii. Related Party "transaction" means transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- ix. "Transaction" shall be construed to include single transaction or a group of transactions in a contract
- x. "Relative" means as defined under the provisions of the Company's Act, 2013 read with the relevant Rules made there under and Regulation 23(1) of the Listing Obligations & Disclosure Requirements, 2015 entered into with the various Stock Exchanges and as amended from time to time.

POLICY

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party. However all the related party transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this policy.

I. IDENTIFICATION OF RELATED PARTY

Each Director and Key Managerial Personnel is responsible for providing notice to the Management regarding persons and entities to be considered as `Related Parties` by virtue of his/her being Director/ KMP in the company. Such Notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

As per the policy the Management will identify related party transactions or the potential related party transactions on the basis of the notices received from the concerned persons and provide notice to the Audit Committee/ Board.

Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

II. REVIEW

A. Approval of Audit Committee

All Related Party Transactions proposed to be transacted should be approved/ratified by the Audit Committee of the Board. 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. 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.
- 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 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.

- d. Audit Committee shall review, **atleast** on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

B. Approval of the Board

In the event any contract or arrangement with a related party is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- 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;
- 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.

C. Approval of shareholders

1. no contract or arrangement or transactions, as mentioned below in line with sec 188 of the Companies Act, 2013 read with relevant Rules framed there under, with the related party shall be entered into except with the prior approval of the company by a special resolution:
 - i) a company having a paid-up share capital of ten crore rupees or more shall not enter into a contract or arrangement with any related party; or
 - ii) a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into -
 - as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below -
 - sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding twenty five percent. of the annual turnover as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent. of net worth as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - leasing of property of any kind exceeding ten percent. of the net worth or exceeding ten percent. of turnover as mentioned in clause (c) of sub-section (1) of section 188;
 - availing or rendering of any services directly or through appointment of agents exceeding ten percent. of the net worth as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;
 - 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 as mentioned in clause (f) of sub-section (1) of section 188; or
 - remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.
2. All the Material Related Party Transactions (other than transactions entered into by the company with its wholly owned subsidiary, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval) shall require prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

DISCLOSURE

The particulars of contracts or arrangements with related parties referred to in Section 188 (1) of the Companies Act, 2013, shall be disclosed in the Director's Report for the financial years commencing on or after 1st April, 2014.

All material RPT'S that are entered into w.e.f. 1st October, 2014 as amended from 19th January, 2016 is to be disclosed quarterly along with the Compliance Report on Corporate Governance as per the requirement of Regulation 23(1) of the Listing Obligations & Disclosure Requirments, 2015.

Amendment

The Company reserves the right to amend or modify this policy in whole or in part at any point of time as per the prevailing laws

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:

In the event of a RPT that has not been granted PRIOR approval or ratified under this policy and the Company becomes aware of it , than such transaction shall be placed before the Committee or Board or shareholders, as promptly as practical, in accordance with this policy for review and ratification.

The Committee or the Board or the shareholders shall consider all the relevant facts and circumstances in relation to such transaction and shall after evaluation of all the options revise or terminate such transaction and the Company shall take action as deemed appropriate by the Committee.