



A. K. MEGA ELECTRONICS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. PREAMBLE:

The Board of Directors (the “Board”) of A. K. Mega Electronics Limited has adopted the following policy and procedures with regard to the Related Party Transactions based on the recommendations made by the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to approval of the Board. This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related parties based on the laws and regulations applicable to the company.

2) SCOPE AND PURPOSE OF THE POLICY

This policy is framed as per the requirements of the Companies Act, 2013 (“Act”) read with the Rules framed thereunder and as per the regulation 23 of SEBI (LODR) Regulations 2015 and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties as determined under the said regulations, The Companies Act, 2013 and rules prescribed thereunder (“Act”) and any other laws and regulations as may be applicable to the Company.

The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policy relating thereto. The Related Party Transaction Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

3) OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality threshold limits for related party transactions and; (b) the manner of dealing with the transactions between the Company and its Related parties based on the Companies Act, 2013 read with the Rules made thereunder and as per the regulation 23 of SEBI (LODR) Regulations 2015 including amendment (if any) and any other laws and regulations as may be applicable to the Company.

4) DEFINITIONS

“**Arm’s length transaction (‘ALP’)**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Audit Committee or Committee**” means the Committee of the Board formed under section 177 of the Act and regulation 18 of the SEBI (LODR) Regulations 2015.

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

“**Control**” means control as defined in Section 2 (27) of the Act and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“**Key Managerial Personnel**” shall mean the officers of the Company as defined in Section 2(51) of the Act.

“**Policy**” means Related Party Transaction Policy.



“Material Related Party Transaction” means a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Explanation: A transaction with a related party shall be considered **material** if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds **ten (10)** percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and regulation 2(zb) of SEBI (LODR) Regulations 2015.

“Related Party Transactions”

As defined under regulation 2(zc) of SEBI (LODR) Regulations 2015, means to include transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

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

As per Section 188 of the Act, Related Party Transaction shall mean

contracts or arrangements with related party with respect to :-

- (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.

“Collectively the Related Party Transaction shall constitute the above.”

Transactions in “ordinary course of business” shall mean and include-

- Transactions that are entered into in the normal and usual course of business and are identical to the business of the company.
- Transactions that are reasonable in the context of the business of the company.
- Transactions that are part of the standard industry practice.

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

5) MATERIALITY THRESHOLDS

Pursuant to regulations 23(1) of SEBI (LODR) Regulations 2015 including amendment from time to time, a Company requires to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution.

Provided that a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.



Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.”

6) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

A.K. Mega Electronica Limited has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder and as per regulations 23 of the SEBI (LODR) Regulations 2015/2018 and including regulations amended from time to time.

As per the guidelines, each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “**Related Party**” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of the appointment and also at the time of the first board meeting in every financial year and whenever there is any change in the disclosures already made.

b) Identification of related party transactions

ATPL has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and as per regulations 23 of the SEBI (LODR) Regulations 2015/2018 and including regulations amended from time to time. As per the guidelines, each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative/s, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. If required, the Company will seek external professional opinion.

Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee.

Omnibus approval

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- (a) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the best interest of the company;
- (b) The omnibus approval shall provide -
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that shall 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.



However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 Crore (Rupees One Crore only) per transaction;

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;

(c) Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

Each of the Transaction within the above said limit of Omnibus transaction, taking place in every quarterly period would be placed before the Board for its ratification.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- 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;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the company.

APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY

The Following transactions are to be placed for the approval of the Board of Directors:

All transactions, as specified under Section 188 of the Act, and which are not in the ordinary course of business and at arm's length basis, are to be placed before the Board for its approval

- Transactions which may be in the ordinary course of business and at arm's length basis, but which as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee 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.
- Transactions meeting the materiality thresholds laid down in Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.



APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

All the transactions with related parties meeting the materiality thresholds, laid down in Clause 5 of the Policy, and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require shareholders for prior - approval. For this purpose, no related party shall vote to approve whether the entity is a party to the particular transaction or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party, but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

7) DISCLOSURES

a) Disclosures to the Company:

i) Every Director 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—

(a) With a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

(b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be, 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 such meeting:

Provided that where any director 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 the Board held after he becomes so concerned or interested.

ii) All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.

iii) Each Director and KMP of the Company shall promptly notify the Company Secretary of the Company of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.

iv) The Company shall maintain a Register pertaining to Related party transactions in the prescribed form.

b) Disclosures by the Company:

A. K. Mega Electronics Limited shall disclose, in the Board's report / Annual Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.



A. K. Mega Electronics Limited shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report. Further, details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance as required under the listing agreement.

In addition to the above, A. K. Mega Electronics Limited shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchanges.

8) 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 in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 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 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 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.

9) TRANSACTION NOT REQUIRING APPROVAL OF AUDIT COMMITTEE, BOARD OR SHAREHOLDERS

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all holders of such securities receive the same benefits pro rata as the Related Party.
