

**MAHANAGAR TELEPHONE NIGAM LIMITED**

**(A Govt. of India Enterprise)**

**RELATED PARTY TRANSACTION POLICY**

**(Effective from October 1, 2014)**

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## **1. Scope and Purpose of Policy**

Related Party Transactions can present a potential or actual conflict of Interest which may be against the best Interest of the Company or shareholders considering the requirement of Related Party Transaction as prescribed under Companies Act, 2013 (“Act”) read with the rules framed there under and Clause 49 of Listing Agreement (as amended By SEBI circular dated April 17, 2014 & circular dated 15<sup>th</sup> September, 2014), Mahanagar Telephone Nigam Limited. (“MTNL” or the “Company”) has formulated guidelines for identification of Related Parties and the proper conduct and documentation of related party transactions.

Also, Clause 49 (VII) (C) of the Equity Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, MTNL has framed this Policy on Related Party Transactions (“Policy”). This policy has been adopted by the Board of Directors based on recommendations of Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

## **2. Objectives of the Policy**

The objective of Policy is to set out

- A) the materiality threshold for related party transactions.
- B) The manner of dealing of the transaction between the Company and Related Parties based on the Act, Clause 49 of Listing Agreement and any other Laws and Regulations as may be applicable to the Company.

## **3. Definitions**

“**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.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted in accordance with Section 177 of Companies Act, 2013 and the Clause 49 of Equity Listing Agreement.

“**Board of Directors or Board**” means the collective body of the Directors of the Company.

“**Chief Executive Officer (CEO)**” means a officer of the Company as defined in Section 2(18) of the Act.

“**Chief Financial Officer (CFO)**” means a person of the company as defined in Section 2(19) of the Act.

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

  
S. R. SAYAL  
कम्पनी सचिव / Company Secretary  
म.टे.नि.लि. निगम कार्यालय/M.T.N.L., Corporate Office

**“Company Secretary (CS)”** means a Company Secretary as defined in Section 2(24) of the Act.

**“Government Company”** means any company in which not less than fifty-one percent of the paid up Share Capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government, and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company

**“Key Managerial Personnel”** means key managerial personnel as defined under section 2(51) of the Act and includes

- (i) Chairman-cum-Managing Director;
- (ii) Functional Directors;
- (iii) Company Secretary; and
- (iv) Chief Financial Officer
- (v) Any other person appointed as Key Managerial Personnel by Board of Directors of the Company.

**“Listing Agreement”** means the Equity Listing Agreement with stock exchange

**“Managing Director”** means managing Director as defined in Section 2(54) of the Act.

**“Material Related Party Transaction”** means a transaction with a related party shall be considered material if the transaction/ transactions to be entered into 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 last audited financial statements of the company.

**“Ordinary Course of Business (‘OCB’)** means a transaction which is:


- carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MOA’) of the company as amended from time to time, or
- historical practice with a pattern of frequency, or
- common commercial practice, or
- meets any other parameters / criteria as decided by the Board/ audit Committee.

**“Relative”** in relation to the Related Party shall have the same meaning assigned to in Section 2(77) of the Act.

**“Related Party”**, will have the same meaning as defined under Section 2(76) of the Act and /or the Clause 49 of the Listing agreement.

Reference and Reliance may be placed on the clarifications issued by the Ministry of Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term “Related party”.

**“Related Party Transaction”** means all transactions between the Company on one hand or related party on the other other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and as per Clause 49 of Listing Agreement. A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**“Transaction”** shall be construed to include single transaction or a group of transactions in a 

Contract.

**“Whole-time Director”** means Whole-time Director as defined in Section 2(94) of the Act.

**“Turnover”** means as defined in section 2(91) of Companies Act, 2013.

**“Consolidated Turnover”** means turnover of all subsidiaries, JVs and the company putting together.

#### **4. Material Threshold**

Clause 49 VII(C) & (E) of the Equity Listing Agreement requires a Company to provide Materiality Threshold for Transaction beyond which the Shareholders approval will be required by the way of Special Resolution. MTNL has fixed its Materiality threshold at 10% of the Annual consolidated turnover of the Company as per last Audited Financial Statement of the Company for the purpose of the compliance with Clause 49 VII(c) & (E) of Listing Agreement. However, Special Resolution will be required under the provision of Section 188 of the Act and Rule 15 of Companies (Meeting of Board and its Power) Rules 2014, if the threshold limit prescribed under Rules has been exceeded.

#### **5. Procedure for approval of Related Party Transaction:**

##### **I) APPROVAL OF AUDIT COMMITTEE OF THE COMPANY**

All Related Party Transaction require prior approval of Audit Committee. However Company may obtain omnibus approval from Audit Committee for such transaction subject to compliances with following condition

- a) The Audit Committee shall lay down criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable for 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 , maximum amount of transaction that can be entered into,
  - (ii) The indicative base price/current contracted price and the formula for variation in price if any and
  - (iii) Such other conditions as the Audit Committee may deem fit;

However, incase of Related Party Transaction which cannot be foreseen and where the above details are not available Audit Committee may grant omnibus approval for such transaction provided the value does not exceed Rs. 1 crore per transaction.

- d) The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

- e) Such omnibus approval shall be valid for one year.



While assessing the proposal put up before the Audit Committee for approval may seek necessary documents/ information from the Management in order to determine if the transaction is in ordinary course of business at Arm's Length or not while Clause 49 (VII)(E) of the Equity Listing Agreement provides that the requirement for seeking approval of Audit Committee shall not be applicable to transaction entered into two Government Companies and transaction entered between Holding company and its Wholly Owned Subsidiary/ies whose accounts are consolidated with the company . There is no such exemption currently provided under Section 188 of the Act and Companies (Meetings of Board and its Powers) Rules, 2014. However this exemption is proposed to be inserted as fourth proviso to section 188 as well as in the rules as per the bill passed in Lok Sabha on 17/12/2014 to be in tune with Clause 49 of Listing Agreement

## **II) APPROVAL OF BOARD OF DIRECTORS OF THE COMPANY**

As per the provision of Section 188 of the Act and Rules 15 of the Companies (Meeting of Board and its Power) Rule 2014, all kind of transactions specified under the said Sections and Rules there under which are not in the ordinary course of business and other than those entered into at Arm's Length basis, are placed before the Board for its approval.

## **III) APPROVAL OF SHAREHOLDERS OF THE COMPANY**

All the transactions with Related party meeting the materiality threshold, laid down in Clause 4 of the Policy, are placed before the Shareholders for the approval. For this purpose , all entities falling under the definition of related party shall abstain from voting irrespective of whether the entity is the party to be particular transactions or not.

Clause 49(VII)(E) of the Equity Listing Agreement provides that requirement for seeking Shareholders approval shall not be applicable to transactions when entered into two Government companies and transaction entered between holding company and its wholly subsidiary/ies whose accounts are consolidated with the company. There is no such exemption currently provided under Section 188 of the Act and Companies (Meetings of Board & Its Powers) Rules, 2014. However this exemption is proposed to be inserted as fourth proviso to section 188 as well as in the rules as per the bill passed in Lok Sabha on 17/12/2014 to be in tune with Clause 49 of Listing Agreement.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not in ordinary course of business or not at Arm's length basis; and
- (b) Exceed the thresholds laid down in Companies (Meetings of Board & Its Powers) Rules, 2014 are placed before the Shareholders for its approval by a resolution.

Subject to the exemptions provided in section 188 of the Act.

- (c) The procedure as enunciated in sub sections 2 and 3 as well as penal clauses in subsection 5 of section 188 of the Act as well as Companies (Management of Board and its Powers) Rules, 2014 as amended from time to time are applicable for this policy.



## 6. DISCLOSURES

The Company shall disclose, in the Board's Report, transactions prescribed in the Section 188(1) of the Act with related party which are not in ordinary course of business or Arm's length basis along with the justification for entering into such transactions.

In addition to the above the company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis to the Stock exchanges and also disclose the policy on dealing with related party transactions on company's website and a web link thereto shall be provided in the Annual Report.

### RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

Signed

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*Sayal*

Effective Date

एस. आर. स्याल  
S. R. SAYAL

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