



## **RELATED PARTY TRANSACTION POLICY**

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By Secretarial

Effective From: 01/04/2019

**MASTEK LIMITED**  
**CIN: L74140GJ1982PLC005215**

**RELATED PARTY TRANSACTION POLICY**

**1. BACKGROUND**

Mastek Limited (“**the Company**”), has reviewed/ revised this policy on Related Party Transactions (“**Policy**”) in line with the requirements prescribed under Section 188 of the Companies Act, 2013 (“**the Act**”) read with the Rules framed there under and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“**SEBI Listing Regulations**”) as amended.

The Company is committed to transparency and fairness in dealing with all Related Parties and in ensuring adherence to all applicable laws and regulations. This Policy shall supplement the Company’s other policies in force that may be applicable to, or involve transactions with related persons.

Accordingly, The Board of Directors of the Company has reviewed, revised and adopted the following policy and standard operating procedures to regulate transactions between the Company and Related Parties with effect from April 01, 2019.

**2. OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out:

- a. the materiality thresholds for related party transactions and;
- b. the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

**3. SCOPE AND PURPOSE**

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. Further, the Board may consider to amend this policy from time to time as may be required on recommendation from Audit Committee.

The Audit Committee shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

**4. DEFINITIONS**

- “**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.
- “**Audit Committee**” or “**Committee**” means the Committee of Board of Directors of the Company constituted in accordance with the requirements prescribed under SEBI Listing Regulations and the Act.
- “**Board**” means Board of Directors of the Company.

- **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and under the provisions of the Act (as amended from time to time).
- **“Key Managerial Personnel” or “KMP”** means the Key Managerial Personnel of the Company as defined under the Act (as amended from time to time), and includes:
  - a. Chief Executive Officer or the Managing Executive Director or the Manager;
  - b. Whole-Time Director;
  - c. Chief Financial Officer;
  - d. Company Secretary;
  - e. such other officer, not more than one level below the directors who is in whole-time employment, designated as Key Managerial Personnel by the Board; and
  - f. such other officer as may be prescribed under the Act/SEBI Listing Regulation.
- **“Associate Company”**, in relation to another company, means a company in which that other 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 20% of total voting power, or control of or participation in business decisions under an agreement.

Explanation - For the purpose of this clause, "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

#### An Associate as per IND AS 28

An Associate is an entity including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

- **“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 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company or as may be amended by the SEBI/Authority from time to time.
- **“Policy”** means Related Party Transaction Policy.
- **“Related Party”** means Related Party as defined under the Act, SEBI Listing Regulations and/ or under the applicable accounting standards, or as may be amended by the SEBI/Authority from time to time.

Section 2 (76) defines “related party”, with reference to a Company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;

- (vi) any Body Corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

**Provided** that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any Body Corporate which is—

(A) a holding, subsidiary or an associate company of such company;

(B) a subsidiary of a holding company to which it is also a subsidiary; or

(C) an investing company or the venturer of the company;";

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

(ix) such other person as may be prescribed;

For the purposes of sub-clause (ix) of clause (76) of section 2 of the Act, a Director [other than an independent director] or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

And pursuant to SEBI Listing Regulations 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.

- **“Relative”** means relative as defined under the Act, SEBI Listing Regulation, and/ or under the applicable accounting standards, or as may be amended by the SEBI/Authority from time to time.  
Section 2 (77) defines "relative", with reference to any person, means anyone who is related to another, if—
  - (i) they are members of a Hindu Undivided Family;
  - (ii) they are husband and wife; or
  - (iii) one person is related to the other in such manner as may be prescribed;A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
  - (1) Father (Provided that the term “Father” includes step-father)
  - (2) Mother (Provided that the term “Mother” includes the step-mother)
  - (3) Son (Provided that the term “Son” includes the step-son)
  - (4) Son’s wife
  - (5) Daughter.
  - (6) Daughter’s husband.
  - (7) Brother (Provided that the term “Brother” includes the step-brother)
  - (8) Sister (Provided that the term “Sister” includes the step-sister)
  - (9) Domestic Partner of Director
  - (10) Children of Domestic Partners
  - (11) Dependents of Domestic Partners
- **“Related Party Transactions”** have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged or nor or otherwise.
- **“Transaction”** with the related party shall be construed to include single transaction or a group of transactions in a contract

- **“Ordinary course of Business”** means a transaction which is:-
  - i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
  - ii. Historical practice with a pattern of frequency; or
  - iii. Common commercial practice; or
  - iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

Any term not defined herein, shall have the same meaning ascribed to it, as defined under the Act and the Rules framed thereunder, the SEBI Listing Regulations and any other law. Also in case of any subsequent changes in the provisions of the Act, SEBI Listing Regulations or any other regulations which may make any of the provisions in the Policy inconsistent with such regulations, then the provisions of such Act, Regulations/Rules shall prevail over this Policy.

## 5. MATERIALITY THRESHOLD

A transaction with Related Party shall be considered as Material Related Party Transaction if the value of the transaction individually or taken together with previous transaction during a financial year **exceeds 10%** of the Annual consolidated turnover of Mastek Limited as per the last audited financial statements (or as may be amended by the SEBI/Authority from time to time).

In compliance with Section 188 of the Act, any Proposal for a transaction to be entered by the Company with a Related Party exceeding the threshold limit states above, which is in the ordinary course of business and not on an arm’s length basis will first require prior clearance from the Audit Committee, Board and prior approval of the Shareholders of the Company by way of Special Resolution.

Further, any transaction entered by the Company with a Related Party, which falls within items of Omnibus Approval of Audit Committee under the Act and is in the ordinary course of business and at arm’s length basis, which is within the threshold limit will require prior clearance from the Audit Committee and Board.

## 6. POLICY - MANNER OF DEALING WITH THE RELATED PARTY TRANSACTIONS

The third proviso to Section 188 of the Act provides that any transaction/s entered into by the Company in the **ordinary course of business** and the said **transactions being at arm’s length basis** will not require approval of the Board or approval of Shareholders of the Company by Special Resolution.

This Related Party Transactions Policy envisages following steps to put into place the mechanism for Related Party Transactions between the Company and Related Parties, which are in the best interests of the Company and its shareholders:

- I. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS
- II. REVIEW/CRITERIA FOR APPROVAL
- III. DOCUMENTATION

## **I. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

The following process shall be followed to ensure all related parties are identified in order to obtain the requisite approvals for any transactions with such related parties.

- Every Director shall at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals, including his **shareholding if more than 2 % of that Company**.
- Every Director shall furnish declaration to the Company in relation to their relatives, their relatives' partnership in firms, interest/shareholding/directorships in all the entities incl. Trust and Foreign Companies, if any.
- Every KMP shall furnish prescribed annual declaration to the Company regarding dependents relatives and entities in which they hold more than 2% shareholding.
- The Company shall have a database of Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.
- The Related Party Transaction statement shall be updated whenever necessary and shall be reviewed at quarterly meeting. The Related Party Transactions should be placed at the quarterly meeting to the Audit Committee and/or the Board for their review/approval.
- Functional departmental heads shall submit to the Group Chief Financial Officer and/or Company Secretary the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate.
- Based on the justification, Company Secretary will appropriately take it up for necessary prior approval from the Audit Committee / Board of Directors at its next meeting and convey back the decision to the originator. The suggested list of records and supporting documents is detailed separately in this policy. The Board will take into account, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Related Parties.
- For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

## **II. REVIEW/CRITERIA FOR APPROVAL**

Process for Review and Approval of Related Party Transactions

### **A. AUDIT COMMITTEE**

All Related Party Transactions needs to be pre-approved by the Audit Committee.

- Audit Committee may grant omnibus approval in respect of Related Party Transactions which are repetitive in nature. It shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The 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.

Where the Related Party Transactions cannot be foreseen and the above details are not available, Audit Committee may grant omnibus approval for such transactions (i.e., containing one or more approval including many items) for related party transactions proposed to be entered into by the Company giving subject to their value not exceeding Rs. 1 Crore (Rupees One Crore) per transaction.

Audit Committee approval shall be subject to the following conditions:

- The Finance Department in consultation with the concerned department proposing to obtain omnibus approval, shall provide justification for such approval along with following details:
  - (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 details as the Audit Committee may deem fit;
- The Audit Committee before granting omnibus approval, shall satisfy itself on the need for such omnibus approval and ensure that such approval is in the interest of the company;
- Audit Committee reviews, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- Omnibus approvals approved by Audit committee are valid for a period not exceeding one year. Any expected/actual overruns can be approved/ratified during the quarterly reviews by the Audit Committee.
- No Audit committee approvals are required for transactions entered into between a holding company and its wholly owned subsidiary (holding shares directly or through its another wholly owned subsidiary) whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- If any additional Related Party Transactions are proposed to be entered into subsequent to the Committee's first meeting in the financial year, the management shall present such transactions to the Committee for its approval. The Following details would be required to be present for the approval of the Related Party Transaction:
  - (i) the name of the related party and nature of relationship;
  - (ii) the nature, duration of the contract and particulars of the contract or arrangement;
  - (iii) the material terms of the contract or arrangement including the value, if any;
  - (iv) any advance paid or received for the contract or arrangement, if any;
  - (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - (vi) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - (vii) any other information relevant or important for the Board to take a decision on the proposed transaction.

- If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.
- The Audit Committee shall also review the statement of significant Related Party transactions submitted by management as per its terms of reference.
- Any member of the Committee/KMP who has a potential interest in any Related Party Transaction shall not remain present at the meeting when such Related Party Transaction is considered.
- To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions.
- The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.
- Any such transaction if entered into due to business exigencies need to be ratified by Audit Committee and Board within three months or such extended time of the date of transaction.

## **B. APPROVAL OF THE BOARD AND THE SHAREHOLDERS**

- The Board shall approve such Related Party Transactions as are required to be approved under Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee.
- In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:
  - a) 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;
  - b) 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) Material Related Party Transactions as well as Related Party Transactions requiring shareholders' approval under Section 188 of the Companies Act, 2013 and Rules made thereunder, which are intended to be placed before the shareholders for approval.
- Board's approval is required for the following related party transactions that are not at arm's length and not in the ordinary course of business and pertains 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



- Where any Director/KMP is interested in any Related Party Transaction, such Director shall not remain present for the said agenda when Related Party Transactions is considered.
- Further, all such Related Party Transactions exceeding the threshold limits prescribed in the Act (All Material Related Party Transaction) shall also require prior approval of Shareholders of the Company and Related Party/ies shall abstain from voting on such resolution or can give against/ not in favor only for the said resolution.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation/recession/suitable modifications of the transaction to make it acceptable to shareholders for re consideration /approval.

The said regulations are explained below by way of a table.

<b>Particulars</b>	<b>Approving Authority</b>
All RPTs, irrespective of value	Audit Committee
All RPTs not in the ordinary course of business or not at arm's length basis, if value is less than 10% of Annual Consolidated Turnover.	Audit Committee and Board
All RPTs not in the ordinary course of business or not at arm's length basis and if More than 10% of Annual Consolidated Turnover.	Audit Committee, Board and Shareholders
All Material Related Party transaction	Audit Committee, Board and Shareholders

#### **RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

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 Committee. The 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, if necessary.

Where any contract or arrangement is entered into by a Director or any other employee of the Company with a Related Party, without obtaining the consent of the Board or approval by a resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months or such extended time from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a Related Party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it, if any.

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.

The Company may proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

### III. DOCUMENTATION

Proper Documentation shall be entered into post approval before execution of the Related Party Transactions.

#### A. Registers:

- The Company shall keep and maintain a register, maintained electronically, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of Directors.
- The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.
- The register shall be preserved permanently and shall be kept in the custody of the Company Secretary /Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

#### B. Disclosures

- The Company shall make relevant disclosures in its Financial Statements/Board Report/otherwise, relating to the Related Party Transactions of the Company as may be required under the provisions of the Companies Act or Rules framed thereunder and Listing Regulations or relevant Accounting Standards as notified/amended from time to time.
- Disclose and Publish on Website yearly consolidated list of Related Party Transaction through Board Report annexures.
- Details of all transactions with Related Parties whether material or not shall be disclosed and placed quarterly at Audit Committee and Board meeting.
- This Policy shall be published on the website of the Company and a web-link of the same shall be provided in the Annual Report.
- Any other Disclosure be made, as may be required from time to time.

#### C. Records relating to Related Party/ suggested supporting documents

##### a) Rent Agreement

- (i) Copy of draft agreement.
- (ii) Quotation from a property dealer/ advisor in the area in which the property is located or a nearby area.
- (iii) If quoted prices are substantially lower / higher than existing, to seek second quotation.

##### b) Purchase/ sale of property

- (i) Valuation reports from independent valuers to ascertain Fair Market Value.
- (ii) Quotations from independent property dealers/brokers.
- (iii) Draft copy of agreement to sell/Draft of proposed sale deed.
- (iv) Brief terms and conditions and justification of such transaction.

**c) Purchase/sale of material, goods etc.**

- (i) Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange / bills/ invoices etc.
- (ii) Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (iii) Quotation from un-related service provider.

**d) Availing/ Rendering Services**

- (i) Copy of Agreement/ MOU/ Correspondence etc.
- (ii) Supporting documents justifying the transaction on arms' length basis.

**e) Loans/ Advances given or taken**

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013.
- (ii) Agreements.
- (iii) Statutory approvals wherever required.
- (iv) Rate of Interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the Loans/Advances (wherever applicable).

**f) Subscription to shares/debentures/securities**

Valuation Report or documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.

**g) Guarantee/ Securities**

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there under.
- (ii) Agreements/Deed.
- (iii) Other documents justifying the same.

**h) Other transactions**

Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

The Board of Directors and/or Audit Committee reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and SEBI Listing Regulations and must be approved by the Audit Committee and recommended to the Board of Directors for its approval.

**7. POLICY REVIEW**

The Board/Audit Committee may review the Policy from time to time. The Policy is required to be reviewed and updated by the Board of Directors at least once every 3 years. Material Changes to the Policy will need the approval from the Audit Committee and approval from the Board of Directors.

**8. DISSEMINATION OF POLICY**

As per the provisions of the SEBI Listing Regulations, the Policy shall be disclosed on the website of the Company.

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### AMENDMENT HISTORY

<b>Version No.</b>	<b>Date</b>	<b>Amendment History</b>	<b>Remarks</b>
1.00	24/07/2014	Original Issue	Approved in Board Meeting dated 24/07/2014
2.00	16/04/2019	Policy Modified as required due to changes in the SEBI Listing Regulations.	Approved in the Board Meeting dated 16/04/2019