

MOHIT PAPER MILLS LIMITED

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Policy:

POLICY ON RELATED PARTY TRANSACTIONS

ABOUT POLICY: This Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transaction (“Policy”) is prepared and adopted to build a framework for the Related Party Transactions of Mohit Paper Mills Limited (the “Company”) in accordance with the Regulation 23 of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015 (“Listing Regulations”) read with the provisions of the Companies Act, 2013 and relevant Rules made there under (as amended from time to time).

This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws, rules and regulations.

DEFINITIONS For the purpose of the Policy the following terms shall have the meanings assigned to them hereunder:

“**Act**” means the Companies Act, 2013 together with the rules and regulations formulated thereunder, as amended from time to time;

“**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 as defined in explanation (b) to Section 188 (1) of the Act.

“**Annual Consolidated Turnover**” is the gross amount of revenue recognized in the statement of profit and loss from the sale, supply or distribution of goods or on account of services rendered or both, during a financial year as per the latest consolidated financial statement of the Company.

“**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 purposes of this definition:

(a) the expression "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "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.

“**Board or Board of Directors**” means the Board of directors of Mohit Paper Mills Limited;

“**Committee**” means the Audit Committee of the Board constituted from time to time under the provisions of Section 177 of the Companies Act, 2013 and Reg. 18 of the Listing Regulations.

“**Company**” means Mohit Paper Mills Limited;

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

“**Key Managerial Personnel or KMP**” means key managerial personnel as defined under Section 2(51) of the Companies Act, 2013;

“Material Related Party Transactions” A Related Party Transaction(s) shall be considered Material, if, (i) such transaction(s) to be entered with related party either taken individually or taken together with previous transactions during a financial year, exceeds rupees Rs. 1,000 Crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

However, 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, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, or (ii) such transaction as defined under Section 188(1) of the Companies Act, which are not in the ordinary course of business and/or not at arm’s length price and, exceeds certain thresholds limits as prescribed under the Companies Act, 2013.

“Material Modification” means any upward revision in the existing Related Party Transaction, which either entered individually or taken together with previous transaction during a Financial Year exceeds ten percent of the Annual Consolidated Turnover of the Company, as per its last audited financial statements.

“Office or Place of Profit” means any office or place: i. where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise; ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“Ordinary Course of Business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Associations. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

“Policy” means this policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions.

‘Promoter’ and ‘Promoter Group’ shall have the meaning assigned to it under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any amendment thereof.

“Relative” means relative as defined as per sub section 77 of Section 2 of the Companies Act, 2013 and rules prescribed there under.

“Related Party” means related party, if (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or (ii) such entity is a related party under the applicable accounting standards. Provided that: (a) any person or entity forming a part of the promoter or promoter group of the Company; or (b) any person or any entity, holding equity shares: (i) of twenty per

cent or more; or (ii) of ten per cent or more, with effect from April 1, 2023; in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

“Related Party Transaction” (hereinafter referred as “RPTs”) shall have the meaning as defined under Regulation 2(1)(zc) of the Listing Regulations, that is, transfer of resources, services or obligations between: i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or ii. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023; Explanation: A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract regardless of whether a price is charged Provided that the following shall not be a related party transaction:

PURPOSE: The Company has adopted this Policy as per the requirement of the Listing Regulations and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. All such transactions are appropriate only if they are in the best interest of the Company and its Shareholders. The Company is required to disclose in its Financial Statements certain transactions between the Company and its Related Parties, as well as policies concerning transactions with Related Parties. This policy based on four pillar, these are: (a) Identification of potential Related Party Transactions; (b) Approval of Related Party Transactions; (c) Transactions which do not require approval; (d) Disclosure of Related Party Transactions.

(a) Identification of Potential Related Party Transactions:

Determination of Related Party Transaction: In terms of the Companies Act, 2013 read with applicable provisions of Listing Regulations, the transactions, which shall be considered as Related Party Transactions, if entered into between:- a) The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or b) The Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023.

Nature of Transactions: The transaction with Related Parties, may be entered, through any contract or arrangement with respect to the provisions as prescribed in Section 188 of the Act or any other statutory modification and enactment, if any and Listing Regulations including but not limited to:-

- Sale, Purchase or Supply of any goods or materials;
- Selling or otherwise disposing of, or buying property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party’s appointment to any office or place of profit in the Company, its subsidiary company or associate company;
- Underwriting the subscription of any securities of the Company or derivatives thereof;

- Entering into any Financial Arrangements (including loans and equity contributions in cash or in kind);
- Settlement of liabilities on behalf of the Related Party or by the Related Party on behalf of the Company;
- Executing Management Contracts including for deputation of employees; and
- Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged.

(b) Approval of Related Party Transactions:

- Approval by Audit Committee:

a) Ambit of Approval:

Subject to the provision hereto, Related Party Transactions and its subsequent material modifications shall require prior approval of the Audit Committee. Further only those members of the audit committee, who are independent directors, shall approve related party transactions.

However, the approval of Audit Committee shall be subject to following provisions:

- A related party transaction to which the subsidiary is a party but the Company is not a party, shall require prior approval of the audit committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- With effect from April 1, 2023, a related party transaction to which the subsidiary is a party but the Company is not a party, shall require prior approval of the audit committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary; with
- prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

b) Criteria for Approval:

Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis. Lastly, the Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any director or Key Managerial Personnel(s) (KMPs) of the Company or any Related Party. The criteria for determination of the same are mentioned below:

Determination of Ordinary Course of Business

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company,

i.) in the normal routine in managing trade or business; ii) is permitted by the Memorandum of Association of the Company; iii) the transaction fall under the purview of the business objectives, operational activities and/or financial activities or; iv) meets any such other criteria as may be decided by the Board/ Audit Committee.

Determination of Arms' length nature of the Related Party Transaction

A related party transaction should be priced at the level at which unrelated parties would undertake 'similar' transaction under 'similar' conditions.

c) Omnibus Approval:

Audit committee may grant omnibus approval for related party transactions subject to the conditions as laid down under Section 177(4) (iv) of the Act, read with Rule 6A of Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of the SEBI Listing Regulations.

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 rupees one crore per transaction. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- i. The Audit Committee shall with the approval of Board, define a criteria's before granting any omnibus approval based on the factors given below.
 - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - the maximum value per transaction which can be allowed;
 - extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - review, on quarterly basis such related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - transactions which cannot be subject to the omnibus approval by the Audit Committee.
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- iv. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- v. Further the following transaction shall never be subjected to Omnibus approval:

- It is ‘material’ within the meaning of Rule 15 of the Companies (Meeting of Board and Its Powers) Rule 2014 (as amended from time to time) read with Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015;
- The Transaction which are not priced at arm’s length.
- Transactions of selling or disposing of undertaking of the Company.

d) Review of RPTs

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

- **Approval of Board of Directors**

The following related party transactions which are not in ordinary course of business or not on arm’s length basis shall require prior approval of the Board:

- a. Sale, purchase or supply of any goods or materials; or b
- b. Selling or otherwise disposing of, or buying property of any kind; or
- c. Leasing of property of any kind; or
- d. Availing or rendering of any services; or
- e. Appointment of any agent for purchase or sale of goods, materials, services or property; or
- f. Such related party’s appointment to any office or place of profit in the Company, its subsidiary company or associate company; or
- g. Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company. Further, material related party transactions and its subsequent material modifications, as defined by the audit committee shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company.

Provided, where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such related party transactions.

- **Approval of Shareholders**

Material related party transactions and its subsequent material modifications, as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. Provided that prior approval of the shareholders of the Company, shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations, are applicable to such listed subsidiary. Further, for related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice. Provided further that no approval, shall be required in respect of a resolution plan approved under Section 31 of the

Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

e. Transactions which is not Related Party Transactions

The approval as defined above, shall not be required for transactions in the ordinary course of business entered into between: i. Company and its wholly owned subsidiary whose accounts are consolidated with such the Company and placed before the shareholders at the general meeting for approval. ii. Two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

f. Disclosure of Related Party Transactions

i. Particulars of such contract or arrangement entered with related parties as defined under Section 134 of the Companies Act, 2013 shall be referred in the Boards' Report to the shareholders. ii. Name of all related parties, nature of relationships and details of all RPT should be disclosed in the financial statement as per Ind-AS 24. iii. Adequate disclosure of all material transactions with related parties shall be disclosed in accordance with Regulation 27 of the SEBI Listing Regulations. iv. The Company shall submit to the stock exchanges disclosures of related party transactions in the format and within such time, as specified by the Board from time to time, and publish the same on its website. v. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report. vi. A register of Related Party Transactions shall be maintained as per the Companies Act, 2013 and placed before the Board.

Conclusion 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.
