

# **POLICY ON RELATED PARTY TRANSACTIONS**

## **Mystic Electronics Limited**

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**MYSTIC ELECTRONICS LIMITED****POLICY ON RELATED PARTY TRANSACTIONS****1. PURPOSE**

**MYSTIC ELECTRONICS LIMITED** (the "Company" i.e **MYSTIC**) has formulated this Related Party Transaction policy (this "Policy") in line with Regulation 23 of the Securities and Exchange Board of India ( Listing Obligation and Disclosure Requirements), 2015 as amended by Securities and Exchange of India (Listing Obligation and Disclosure Requirements) ( Amendment) Regulations, 2018 ( "Listing Regulations").

The Board of Directors of the company on the recommendation of Audit Committee has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by Company to ensure compliance with the Law. The Policy on Related Party Transaction may be reviewed, approved and amended from time to time by the Board of Directors of the Company on the recommendation of the Audit Committee.

**2. DEFINITIONS**

- a. "**Act**" means the Companies Act, 2013 and Rules made thereunder, for the time being in force and as may be clarified, amended, re-enacted from time to time.
- b. "**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.
- c. "**Audit Committee**" or "**Committee**" means Audit Committee constituted by the Board of Directors of the Company, from time to time, in accordance with provisions of the Listing Regulations and the Companies Act.
- d. "**Board**" means the collective body of the Directors of the Company.
- e. "**Company**" means "MYSTIC ELECTRONICS LIMITED" or also referred to as "MYSTIC".
- f. "**Director**" means a person as defined in Section 2(34) of the Companies Act, 2013.
- g. "**KMP**" or "**Key Managerial Personnel**" means person as defined in Section 2(51) of the Act, as amended from time to time.
- h. "**Material Related Party Transaction(s)**" means a material transaction with a Related Party as defined under Section 23(1) of the Listing Regulations.
- i. "**Material Modification**" " means any modification to the existing Related Party Transaction which has the effect of increasing or decreasing the value of original contract by 35% or more.
- j. "**Ordinary course of business**" includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and

practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:

- a) is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training, etc.)
- b) is frequent and regular
- c) involves significant amounts of money
- d) is a source of income for your business
- e) involves significant allocation of resources
- f) is involved in a service or product that is offered to customers

k. **"Policy on Related Party Transactions" or "this Policy" or "RPT Policy"** means this Policy as recommended by the Audit Committee and as approved by the Board of the Company.

l. **"Related Party"** means related party as defined under Section 2(76) of the Companies Act and Regulation 2(1)(zb) of the Listing Regulations, read with amendments issued from time to time which is as follows:

❖ As per Section 2(76) of the Companies Act, Related Party means as defined under section 2(76) of Companies Act which are as follows:

- 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 is a member or director;
- v. A public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- vi. Anybody 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; [Except advice, directions or instructions given in a professional capacity]
- vii. Any person on whose advice, directions or instructions a director or manager is accustomed to act; [Except advice, directions or instructions given in a professional capacity]
- viii. Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary.
- ix. such other person as may be prescribed.

❖ Applicable Accounting Standards

❖ Any person or entity belonging to the promoter or promoter group of the listed entity or any person or an entity holding equity shares of 20% (twenty) or more or 10% or more (with effect from 1st April, 2023) either directly or through its beneficiaries as mentioned under section 89 of the Companies Act, 2013 at ANY TIME during the preceding Financial year shall be deemed to be a related party.

m. **Related Party Transaction" or "RPT" or "Transaction"** means any transaction involving transfer of resources, services or obligations between a company and a Related Party regardless of whether a price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract either directly or indirectly as defined under Section 188 of the

Companies Act, 2013 and sub-regulation (zc) of Regulation 2 of SEBI (Obligations and Disclosure Requirements) Regulations, 2015 and amendments issued from time to time.

- n. **“Relative”** with reference to a director or a Key Managerial Personnel means persons defined under Section 2(77) of the Companies Act read with amendments issued from time to time.
- o. **“SEBI LODR”** means Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time.

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the SEBI LODR or the Act, and the rules and regulations made thereunder, Accounting Standards (as applicable) and applicable laws, to the extent relevant in connection with this Policy, as the case may be or in any amendment thereto. In the event of any inconsistency or conflict between the terms as defined in this Policy and as prescribed under LODR Regulations, the Act or Accounting Standards, the definition under such relevant regulatory framework would prevail.

### **3. EFFECTIVE DATE OF THE POLICY**

Securities Exchange Board of India (SEBI), vide Notification Dated 2nd September, 2015, has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) applicable with effect from 1st December, 2015, requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with the above requirement.

The Policy was revised from time to time considering various developments. The Policy is being further revised with effect from 2<sup>nd</sup> September, 2024 unless specified otherwise. This Policy will supersede the provisions of the earlier Policy adopted by the Company.

### **5 IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

Every promoter, director and key managerial personnel (KMP) of the Company and its subsidiaries/ Joint venture shall,

- a) at the time of appointment;
- b) periodically – as required by the Company or applicable law
- c) whenever there is any change in the information already submitted,

provide requisite information about his / her Relatives and all firms, companies, body corporates, or other association of individuals, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/ Joint venture (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction that the Board /Audit Committee may reasonably request.

Based on the above, all the related party transactions entered into during each quarter shall be put up to the Audit Committee and Board along with Quarterly/Annual Accounts.

## **6 MATERIALITY OF RELATED PARTY TRANSACTIONS**

### **6.1 Materiality threshold of RPT**

A transaction with related party shall be considered material only if the transactions(s) exceed the prescribed limit as defined under sub-regulation (1) and (1A) of regulation 23 of the Listing Regulations. Any other threshold limits / amendment to the aforementioned threshold limits as may be prescribed under the Listing Regulations or Companies Act, 2013 from time to time shall be applicable.

### **6.2 Approval for Material Related Party Transactions**

All "Material Related Party Transactions" shall require prior approval of the shareholders of the Company through a resolution. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Proposal for entering into Material Related Party Transaction shall be placed before the Audit Committee with relevant details and after the approval from the Audit Committee and the Board, such proposal shall be referred for approval of the shareholders through resolution.

## **7 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

### **7.1 Audit Committee**

1. Subject to the omnibus approval process referred to under Regulation 23 of LODR Regulations and hereunder, all Related Party Transactions shall require the prior approval of the Audit Committee.
2. Accordingly,
  - a) Prior to the commencement of each financial year, the Audit Committee shall meet to consider the Related Party Transactions of MYSTIC for the financial year; and
  - b) During the financial year, if any Related Party Transaction is proposed to be entered, the Audit Committee shall consider the approval of the said Related Party Transaction at the relevant time.
3. While considering the Related Party Transactions, the Audit Committee shall consider, inter-alia, on the following factors:
  - a. Name of the Party and details explaining nature of relationship;
  - b. Duration of the contract and particulars of the contract and arrangement;
  - c. Nature of transaction and material terms thereof including the value, if any;
  - d. Whether the terms of the Related Party Transaction are fair and on arms' length basis and would apply on the same basis if the transaction did not involve a Related Party;
  - e. Details as may be necessary to review as per the provisions of the Listing Regulations and Companies Act, 2013 etc.
4. After reviewing such information and after seeking such other information, documentation and clarifications that the Committee may require, the members of the Audit Committee (without the participation of the Audit Committee member(s) interested in the transaction, if any) may approve or disapprove such transaction(s), subject to such monetary or other limitations and conditions as the Committee may deem fit. In case of rejection, the Audit Committee shall give reasons and better alternatives. The Committee may convene, adjourn, re-convene and hold afresh such number of meetings as it may require in this regard.

5. Approval of Related Party Transactions shall be given only if it is determined by the Audit Committee that such transactions are:
- a) in (or not inconsistent with) the best interests of the Company and its shareholders; and
  - b) on terms that are fair and comparable to those that would be obtained in arm's length transactions with unrelated third parties.
  - c) within the threshold limits/ criteria approved by the Board of Directors.

The Committee shall have due regard to (i) the business and commercial rationale for the transaction; (ii) alternate options available with the Company; and (iii) the nature and extent of any interest, including any actual or potential conflict of interest of the management, Board members, key managerial personnel and shareholders.

## **7.2 Omnibus approval by Audit Committee**

The Audit Committee would grant omnibus approval only if it is satisfied of the need of such approval and that it meets the criteria set out hereinabove (Para 6.1) for approval of Related Party Transactions.

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company.

Such omnibus approval shall specify:

- a) Name/s of the Related Party;
- b) Nature of transaction;
- c) Period of transaction;
- d) Maximum amount of transaction that can be entered into;
- e) The indicative base price/ current contracted price and formula for variation in price, if any;
- f) Other conditions which the Audit Committee deems fit.

The thresholds and limitations set forth by the Committee would have to be strictly complied with, and any variation thereto including to the price, value or material terms of the contract or arrangement shall require the prior approval of the Audit Committee. Further, Where the need for Related Party Transaction cannot be foreseen and the details as per above are not available, the Audit Committee can give omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

The Audit Committee will review on a quarterly basis, the details of all related party transactions entered into by the Company pursuant to each of the omnibus approval given. Such omnibus approvals shall be valid for a period of not exceeding one year and shall require fresh approvals after expiry of one year. The Audit Committee will consider and review the omnibus approvals.

## **8 REVIEW / APPROVAL BY THE BOARD**

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length basis, the Board will inter alia consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction and any other information the Board may deem important/relevant for taking decision on a proposed transaction. On such consideration,

the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

## **9 APPROVAL OF SHAREHOLDERS**

In following cases, Related Party Transactions shall be proposed to the shareholders of the Company for their approval by passing resolution:

- a. Material Transactions, as per provisions referred in this Policy; or
- b. When approval from the shareholders is mandatory as per applicable provision of the Act or applicable laws, in relation to transactions or matter relating to the Related Parties.

In case Board refers a related party transaction for seeking approval of the shareholders as per the provisions of Companies Act 2013 or otherwise, in such cases, if any member of company is a related party as per this policy, such member of the company shall not vote on resolution passed for approving such related party transaction.

## **10 RATIFICATION**

- 10.1** Any Related Party Transaction entered into without obtaining the prior approval of the Audit/ Board/ Shareholders(respective authority/ies) may be ratified, subject to the applicable provisions of the Companies Act, 2013 and the Listing Regulations, if post review of the said transaction / contract, the appropriate authority is satisfied, that the said Related Party Transaction is not detrimental to the interest of the Company, however, the appropriate authority may also ratify such transaction or contracts, with or without the modification(s).
- 10.2** If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority.
- 10.3** However the Related Party transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority, the applicable provisions of the Companies Act, 2013 and Listing Regulations, shall apply.

## **11 AMENDMENT(S) IN THE POLICY**

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant government authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

## **12 DISCLOSURES**

This Policy shall be disclosed on the Company`s website <https://www.mystic-electronics.com/> and the web-link to the Policy will be inserted in the Annual Report of Mystic every year.