

POLICY ON RELATED PARTY TRANSACTIONS

(Amended w.e.f. 1st April, 2019)

Mystic Electronics Limited

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MYSTIC ELECTRONICS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. PURPOSE

This Policy is framed as per the requirement of the Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "Listing Regulations") and with a view to determine materiality and dealing with transactions between Mystic Electronics Limited (hereinafter "MEL" or the "Company") and its Related Parties.

The Audit Committee and the Board of the Company adopts this Policy with regard to Related Party Transactions in compliance with the requirements of the Listing Regulations, the Companies Act, 2013 and applicable statutory provisions.

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. "**Board**" means the collective body of the Directors of the Company.
- c. "**Committee**" or "**Audit Committee**" means Audit Committee constituted by the Board of Directors of the Company, from time to time, under the provisions of the Companies Act, 2013 or the previous Company law and the Listing Regulations.
- d. "**Company**" means "Mystic Electronics Limited" or also referred to as "MEL".
- e. "**Director**" means a person appointed as Director on the Board of the Company.
- f. "**KMP**" or "**Key Managerial Personnel**" means person as defined in Section 2(51) of the Act, as amended from time to time.
- g. "**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.
- h. "**Related Party Transaction**" or "**RPT**" or "**Transaction**" means a transfer of resources, services or obligations between the 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:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s).

- i. **"Related Party"** means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% (twenty) or more of shareholding in the listed entity shall be deemed to be a related party.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s).

- j. **"Relative"** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:

Provided this definition shall not be applicable for the units issued by mutual fund which are listed on a recognized stock exchange(s);

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 and the rules and regulations made thereunder, Accounting Standards and applicable laws, to the extent relevant in connection with this Policy, as the case may be or in any amendment thereto. Where any stipulation is common between the applicable Laws, more stringent of them shall be complied with.

3. EFFECTIVE DATE OF THE POLICY

The Audit Committee of the Company had recommended and the Board has approved this revised Policy at their respective Meeting held on 29th March, 2019 to incorporate the requirements of the Act and the Listing Regulations. This revised Policy shall come into effect from 1st April, 2019. This Policy will supersede the provisions of the earlier Policy adopted by the Company.

4. DEALING WITH RELATED PARTY TRANSACTIONS

While approving the Related Party Transactions, the Audit Committee and the Board shall keep in view and be guided by the following aspects with fair weightage:

- a. Ensure fairness in the conduct of Related Party Transactions.
- b. Pricing or basis to arrive on pricing should be at relevant market conditions or on arm's length basis, unless the same is justified by the management and with reasons recorded, keeping in view strategic business plan or medium to long term benefits expected to the Company.
- c. Terms of Related Party Transactions should be in overall interest of the Company or meet the business requirements of the Company.

- d. Proposal of Related Party Transactions should be discussed and deliberated keeping in mind relevant details, material terms and long-term business interest of the Company.
- e. Range, quantity, quality, experience, technical knowhow and competency of Related Parties and future plan and prospective business requirement of the Company.
- f. Practice being followed in similar industry and sector specific requirement, to the extent known.
- g. Related Party Transactions should be in compliance with the applicable statutory provisions with appropriate disclosures and transparency to ensure good governance.

5. MATERIALITY OF RELATED PARTY TRANSACTIONS

5.1 Materiality of RPT

A transaction with a Related Party shall be considered as "Material Related Party Transaction", if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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 2% (two) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

5.2 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.

6. PRIOR APPROVAL OF THE AUDIT COMMITTEE

6.1 Approval by Audit Committee

Proposal of entering into transaction(s) with Related Parties shall be placed before the Audit Committee with relevant details for prior approval. The Audit Committee shall consider, discuss and review all relevant aspects, justification, details or reports presented by the management. The Audit Committee may approve or ask for further details, clarifications or reject the proposal. In case of rejection, the Audit Committee shall give reasons and better alternatives.

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.

6.2 Omnibus approval by Audit Committee

The Audit Committee may grant omnibus approval for Related Party Transactions on following broad criteria.

- a. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- b. Such Omnibus Approval shall specify the following.
 - the name(s) of the Related Party, nature, period and maximum amount of the transaction(s).
 - the indicative base price / current contracted price and formula for variation in the price, if any; and
 - such other conditions as the Audit Committee may deem fit.

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 Rs. 1 Crore 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 approvals given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

7. REVIEW / APPROVAL BY THE COMMITTEE / BOARD

Where approval of the Committee / Board of Directors is required for any related party transaction or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the

Board shall review and approve the transaction, with such modification as may be necessary or appropriate under the circumstances. Any member of the Committee / Board who has any interest in any Related Party Transaction will recuse himself / herself and abstain from discussion and voting on the approval of the Related Party Transaction.

8. 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.

All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

9. CLARIFICATION AND REVIEW OF THE POLICY

As per instruction and in consultation with the Audit Committee, KMP may issue clarification for effective and smooth implementation of the Policy.

In case of any further mandatory requirement or amendment in the Act, Listing Regulations, direction or clarification, provisions of this Policy shall be read and implemented in context of such amended or clarified positions.

10. 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.

11. DISCLOSURES

This Policy shall be disclosed on the Company's website www.mystic-electronics.com.