

RELATED PARTY TRANSACTION POLICY

**(Policy on Materiality of Related Party Transactions and
dealing with Related Party Transactions)**

Preamble

The Board of Directors of the company 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 and Regulation. The Audit committee will review the same from time to time and propose the amendment required in the policy to the board of directors

Purpose

Security Exchange Board of India (SEBI), Circular Dated 17 April 2014, has amended the clause 49 of listing agreement entered into by the company with the stock Exchanges. Subsequently, SEBI repealed the Listing Agreement and replaced it with SEBI (Listing Obligations and Disclosure Requirements) [LODR] Regulations, 2015. SEBI further amended the SEBI (LODR) 2015 vide Notification dated 9th November 2021. Regulation 23 of SEBI (LODR) Regulations, 2015 provides that all listed companies shall 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 above requirement

Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted for audit related purpose.

“Board” means Board of Directors of the Company

“Related Party Transaction” 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.

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

Notwithstanding the above, a transaction involving payments made to related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

“Related Party” means in relation to the company in any of the ways as laid down in Section 2(76) of the Companies Act, 2013 or Regulation 2(1)(zb) of the SEBI (LODR), 2015 as amended from time to time and includes the is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- a) a director or his relative;
- b) a key managerial personnel or his relative;

- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager is a member or director;
- e) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- f) 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;
- g) any person under whose advice, directions or instructions a director or manager is accustomed to act;
- h) any company which is –
 - a. a holding, subsidiary or an associate company of such company; or
 - b. a subsidiary of a holding company to which it is also a subsidiary;
 - c. an investing company or the venture of the company
- i) Director or key managerial personnel of the holding company or his relative with reference to a company;
- j) Such other person as may be prescribed.

In addition to the above, an entity will be considered as a related party if it satisfies the conditions laid down as per Ind AS 24

Provided that any person or entity forming a part of the promoter or promoter group of the listed entity or holding 20% or more [or 10% or more (w.e.f. 01/04/2023)] of shareholding in the listed entity 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.

“Relative” means relative as defined under Section 2(77) of the Companies Act, 2013 and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vi. Daughter
- vii. Daughter’s husband
- viii. Brother (including step-brother)
- ix. Sister (including step-sister)

“Key Managerial Personnel” mean key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a Whole- Time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Control” shall have the same meaning as defined in Section 2(27) of Companies Act, 2013.

Accordingly, control shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder's agreements or voting agreements or in any other manner.

Further as per Para 7 of Ind AS 110, an investor controls an investee if and only if the investor has all the following:

- (i) Power over the investee;
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect the amount of investor's returns.

“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.

“Significant Influence” - means control of at least twenty per cent of total share capital, or of business decisions under an agreement

“Joint venture” - means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“Specified Related Party Transactions” in accordance with Section 188 (1) (a) to (g) of the Companies Act, 2013, means a contract or arrangement with a related party with respect to:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) Underwriting the subscription of any securities or derivatives thereof, of the company.

“Ordinary Course of Business” with reference to a transaction with a related party means a transaction which is:

- (i) 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;
- (ii) Historical practice with a pattern of frequency;
- (iii) Common commercial practice; or
- (iv) Meets any other parameters/criteria as decided by the Board/Audit Committee from time to time.

Ordinary Course of Business includes but not limited to activities that are necessary, normal, and incidental to the business.

Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the

Committee in accordance with this Policy.

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

Procedure

A. Disclosure by Directors

Every director shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

B. Identification of Transaction with related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

C. Review and approval of Related Party Transaction:

I. Audit Committee

All RPT and subsequent material modifications shall require prior approval/ recommendation, as the case may be, of the Audit Committee. RPT shall be approved only by the members of the audit committee, who are independent directors.

Following is the approval mechanism for RPT;

(a) The Audit Committee may grant prior omnibus approval for RPT proposed to be entered into by Mercury Laboratories Limited under section 177(4)(iv) of the Act read with rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, and regulation 23(3) of the SEBI (LODR) Regulations provided it is satisfied that there is a need to grant such approval and such approval is in the interest of Mercury Laboratories Limited. It shall be taken for all transactions proposed to be undertaken during the next Financial Year, before the start of such Financial Year. Such approval may be granted by Audit Committee for the proposed transaction after considering the following criteria's of the transaction:

- i) Repetitive in nature;
- ii) Sufficient details shall be provided to the Audit Committee such as the

- Name/s of the related party,
- Nature of transaction
- Period of transaction
- Maximum amount of transaction that can be entered into
- The indicative base price / current contracted price and the formula for variation in the price if any and
- Such other conditions as the Audit Committee may deem fit.

(b) 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. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.

(c) In case, need for RPT cannot be foreseen at the time of Omnibus Approval for the year and the aforesaid details are not available, Audit Committee may grant omnibus approval for any transaction(s), subject to their value not exceeding Rs. One Crore per transaction. Where the audit committee does not approve the transaction, it shall make its recommendation to the Board.

(d) Where any transaction not exceeding Rs. One Crore, which is considered as RPT exclusively as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the approval of the Audit committee and such transaction is not ratified by the audit Committee at a meeting within three months from the date of transaction, such transaction shall be voidable at the option of the audit committee if the transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify Mercury Laboratories Limited against any loss incurred by it.

II. Board of Directors

As per Sec 188 of Companies Act 2013, the contract or arrangement with respect to the specified transactions which are not on arm's length or in the ordinary course of business and are within the threshold limits as specified in the rules (reproduced below), shall be entered into with a related party only with the prior approval of the Board of directors.

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.

III. Shareholder approval

All material RPT and subsequent material modifications thereof shall require prior approval from shareholders through a resolution. Further, prior approval of shareholders would be required for the specified RPT beyond the threshold limits as specified in the rules (reproduced below), if they are not in the ordinary course of business or are not on arm's length basis.

The summary of the approval mechanism under SEBI (LODR) Regulation and Companies Act 2013 is provided as under:

Details of Transaction	Approving Authority
All related party transactions (other than those mentioned below) and any subsequent material modifications to the contracts / arrangements	Audit Committee (including Omnibus Approval for a maximum period of one year)
Specified RPTs which are not in Ordinary Course of Business or not on arm's length basis or both (less than threshold limits)	Recommendation by Audit Committee Approval by Board of Directors
Specified RPTs which are not in Ordinary Course of Business or not on arm's length basis or both (beyond threshold limits)	Recommendation by Audit Committee to Board Recommendation by Board to Shareholders Approval by Shareholders
Material RPTs	Recommendation by Audit Committee to Board Recommendation by Board to Shareholders Approval by Shareholders

In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the Audit Committee / Board / Shareholders reserve the right to ratify as they may deem fit.

D. Transactions which do not require approval

Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party. [including following,

- (i) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- (ii) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and
 - buy-back of securities.]

E. Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party 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.

Disclosures

(a) Every Contract or arrangement entered with Related Parties to which Section 188 of the Companies Act, 2013 is applicable shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.

(b) Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

(c) Every Related Party Transaction with proper justification shall be disclosed in the Directors Report

- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

Governance of the Policy

(a) Policy shall be reviewed by the Board of Directors at least once every three years an updated accordingly.

(b) This Policy on Related Party Transactions shall be governed by Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or such other Rules / Regulations, as may be notified by SEBI from time to time as well as the Companies Act, 2013 read with Rules made therein under, as may be notified by MCA and in force for the time being. Accordingly, interpretation of any of the provisions should be made in consistence thereto in the implementation of this policy. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, SEBI (LODR) Regulations, Ind AS and all other applicable laws / rules, as may be issued from time to time shall be mutatis mutandis applicable.

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

[Adopted by the Board of Directors on 11th February, 2015; Last reviewed and amended by the Board of Directors on 26th May, 2022]
