

MILKFOOD LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

1. Objective

This policy is framed as per requirement of revised Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges which provides that every listed company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy will be effective October 1, 2014.

2. Definitions

- (i) “Audit Committee or Committee” means Committee of the Board of Directors of the Company constituted under provisions of Listing Agreement with the Stock Exchanges and the Companies Act, 2013.
- (ii) “Board of Directors” or “Board” means the Board of Directors of Milkfood Limited, as constituted from time to time.
- (iii) “Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (iv) “Key Managerial Personnel” means Key Managerial Personnel as defined under section 2(51) of the Companies Act, 2013 and includes-
 - (i) Managing Director, or Chief Executive Officer or Manager
 - (ii) Company Secretary
 - (iii) Whole time Director
 - (iv) Chief Financial Officer
- (v) “Policy” means Related Party Transaction Policy.
- (vi) “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.

(vii) “Ordinary course of business” would have the meaning as defined by the Institute of Chartered Accountants of India, Companies Act, 2013, and as per the guidelines and judicial and other pronouncements, as applicable from time to time.

(viii) “Related Party” means related party as defined in Clause 49 of the Listing Agreement and the Companies Act, 2013 which is as follows:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making the financial and / or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a company if that person is related party under Section 2(76) of the Companies Act, 2013 as per Annexure-1.
2. A company is related party under the applicable accounting standards.

(ix) “Related Party Transaction” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

(x) “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. One person is related to the other in such manner as may be prescribed, which is as follows namely:
 - (a) Father (including step – father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

(xi) “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% (ten percent) of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

3. Policy

3.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transactions involving him / her or his or her relative, including any additional information about the transaction that the Board / Audit Committee may request, for being placed before the Audit Committee and the Board. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

3.2 Review and Approval of Related Party Transactions

All Related Party Transaction shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee will lay down the criteria for granting the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee will satisfy the need for such omnibus approval and ensure that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify:
 - i. The name(s) of the related party and nature of relationship;
 - ii. The nature and particulars of the contract or arrangement;
 - iii. The material terms of the contract or arrangement;
 - iv. Any advance paid or received for the contract or arrangement, if any;
 - v. Period of transaction;
 - vi. Maximum amount of transaction that can be entered into;
 - vii. The indicative base price / current contracted price and the formula for variation in the price if any;
 - viii. 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
 - ix. Any other information relevant or important for the Committee to take proposed transaction. 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 Rs.1 crore per transaction.

- d. Audit Committee will review, at least on a quarterly basis, the details of Related Party Transaction entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approval will be valid for a period not exceeding one year and will require fresh approval after the expiry of one year.”

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction including the terms of the transaction, the business purpose of the transaction, the benefit to the Company and to the Related Party and any other relevant matters.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether the Related Party Transaction would affect the independence of the Director / KMP;
- iii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction: and
- iv. Whether the Related Party Transaction is in the nature of conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director or other Related Party, the direct or indirect nature of the Directors, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any Proposed relationship and any other factors the Board / Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, 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 consider and approved the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

These provisions shall not be applicable to transactions entered into between the company and its wholly owned subsidiary.

3.3 Approval of the Shareholders

All the Transactions with the related parties which are not in the Ordinary Course of Business and at Arm's Length Basis where exceed limits specified rule 15(3) of the companies (Meetings of board and its powers) rules, 2014 shall require the prior approval of board and approval from the shareholders through Special Resolution and the concerned Related Parties shall abstain from voting on such resolution.

3.4 Decision regarding transaction in ordinary course of business and on arm's length basis

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the material placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length basis.

4. Disclosures

4.1 Report on Corporate Governance

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

4.2 Annual Report

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

Related Party

A person or a close member of that person's family is related to a company if that person is-

(a) related party under Section 2(76) of the Companies Act, 2013.

- 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 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;
- 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 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;
- ix. Director other than independent director or Key Managerial Personnel of the holding company or has relative with reference to a company; or
 - (b) has control or joint control or significant influence over the company; or
 - (c) is a Key management personnel of the company or of a parent of the company.