

MIDWEST LIMITED

(Formerly Known as Midwest Granite Private Limited)

POLICY ON RELATED PARTY TRANSACTIONS

1. TITLE

This policy shall be called the Policy on materiality of related party transactions and dealing with related party transactions (“Policy”).

2. OBJECTIVE OF THE POLICY

Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder (“Companies Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended (“SEBI Listing Regulations”) require the companies to have enhanced transparency and due process for approval of the related party transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board.

Accordingly, the board of directors (“Board”) of the Company has adopted the following policy with regard to related party transactions. The Audit Committee of the Company will review this policy on an annual basis and propose any modifications to the Board for approval.

3. DEFINITIONS

3.1 “Arm’s Length Transaction (‘ALP’)” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

3.2 “Ordinary Course of Business (‘OCB’)” means a transaction which/wherein:

- is 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, or
- is as per historical practice with a pattern of frequency, or
- the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
- is common commercial practice, or meets any other parameters/criteria as decided by the Board/Audit Committee

3.3 “Material modification” to any Related Party Transaction shall mean any change (increase or decrease in the consideration for such transaction, taken individually or together with such Related Party in the financial year) in such transaction amounting to 10% or more of the consolidated turnover of the Company.

3.4 “Material Related Party Transactions” shall have the same meaning as defined in Regulation 23 of the SEBI Listing Regulations.

3.5 “Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.

3.6 “Related Party” shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations and under applicable accounting standards, each as amended. Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term “Related Party”.

3.7 “Related Party Transactions” shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations or as envisaged in Section 188(1) of the Act.

3.8 “Transaction” shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Act, the Securities and Exchange Board of India Act, 1992, SEBI Listing Regulations, the Companies Act, 2013, the applicable accounting standards or any other applicable law or regulation.

The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.

In case of any dispute or difference upon the meaning / interpretation of any word or provision in this policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee shall be final. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an external expert as it deems fit.

4. MATERIALITY THRESHOLDS

- a.** Regulation 23 of the SEBI Listing Regulations requires the Company to provide materiality thresholds for transactions beyond which prior approval of the shareholders’ will be required by way of a resolution.
- b.** The Company has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations as under:
 - i.** In case of transaction to be entered individually or taken together with previous transactions during a financial year involving payments made to a Related Party with respect to brand usage royalty, if it exceeds five percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.
 - ii.** In case of any other transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees 1,000 crore or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
 - iii.** Further, Regulation 23 of the SEBI Listing Regulations provide that any subsequent material modifications to the terms of such transactions, as defined by the Audit Committee, shall also require shareholders’ prior approval by way of a resolution. Material modification shall be construed as one meeting the conditions as provided in point number 3.3 of this Policy.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a. Disclosure by Directors

- i. 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.
- ii. 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 related parties

- i. Each director and Key Managerial Personnel is responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative, including any additional information about the transaction that the Board / Audit Committee may reasonably request.
- ii. Each director and Key Managerial Personnel shall make an annual declaration as per the provisions of the Companies Act and the rules framed thereof with respect to Related Party transactions to the Company in the last month ending before the financial year and this declaration shall be placed before the Audit Committee and the Board at their first meeting held at the succeeding financial year.
- iii. Any change in the list of Relatives shall be intimated by the Directors and KMPs by way of a fresh declaration to the Company.
- iv. The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

c. Identification of related party transactions

The Audit Committee shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Requirements. The Audit Committee shall determine whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Audit Committee may seek external professional opinion, if necessary.

d. Procedure for approval of related party transactions

i. Approval of the Audit Committee

1. Subject to exemptions specified in the SEBI Listing Regulations, all related party transactions and subsequent material modifications require prior approval of the Audit Committee. Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
2. Only Members of the Audit Committee, who are independent directors, shall approve related party transactions.
3. A related party transaction to which the subsidiary of the Company 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.
4. Further, with effect from April 1, 2023, a related party transaction to which the subsidiary of the Company 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.
5. The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
6. However, in case of related party transactions which cannot be foreseen and where the specified details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction.
7. 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 approval given.

8. Such omnibus approval shall be valid for a period not exceeding 1 financial year and shall require a fresh approval after expiry of such financial year.
9. For each category of transactions identified as per the Clause 5(b) of this policy, the Company has a specific framework and guidelines explaining the arm's length criteria to be followed by the Company and/or the subsidiary, as may be applicable, while entering into transactions falling under contracts and agreements with related parties identified as per Clause 5(b) of this policy. The Company and/or the subsidiary, as may be applicable, while entering into Related Part Transactions will ensure adherence with the framework and guidelines and will maintain necessary documents for the same.
10. While seeking approval for a Related Party Transaction placed before the Audit Committee, the Audit Committee shall be provided with the information as required to be provided under the Act and the SEBI Listing Regulations.
11. The Board may consider the details as required to be provided under the Act and the SEBI Listing Regulations to the Audit Committee, in order to determine if the transaction is in the ordinary course of business and at arm's length or not.
12. The requirement for seeking Audit Committee approval for related party transactions shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies or between 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.
13. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 - Transactions which are not at arm's length or not in the ordinary course of business.
 - Transactions which are not repetitive in nature.
 - Transactions exceeding materiality thresholds as laid down in Clause 4 of the Policy.
 - Transactions in respect of selling or disposing of an undertaking of the Company.
 - Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
 - Any other transaction the Audit Committee may deem not fit for omnibus approval.

ii. Approval of the Board of Directors of the Company

1. As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval, whether or not it is a material Related Party Transaction. 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 on the subject matter of the resolution relating to such contract or arrangement.
2. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
 - Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval
 - Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval.
 - Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
 - Transactions meeting the materiality thresholds laid down Clause 4 of the Policy and any subsequent Material Modification to a Material Related Party Transaction, which are intended to be placed before the shareholders for approval.

iii. Approval of the shareholders of the Company

1. All Material Related Party transactions and subsequent Material Modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

2. If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act, it shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
3. However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company, and transactions entered into between two-wholly owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
4. The omnibus shareholders' approval of material related party transactions approved in an annual general meeting shall be valid up to the date of the next annual general meeting for a period not exceeding fifteen months. Further in case of omnibus approval for material related party transactions, obtained from shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year.

6. DISCLOSURES

- a) The Company shall disclose, in the Board's report, every contract/arrangement prescribed in Section 188(1) of the Act with related parties along with the justification for entering into such transaction.
- b) In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges along with the compliance report on corporate governance pursuant to the SEBI Listing Regulations.
- c) The Company shall submit within the timelines prescribed under Regulation 23(9) of the SEBI Listing Regulations, disclosures of related party transactions on a consolidated basis, in the format specified by SEBI from time to time and publish the same on its website.
- d) As prescribed under Regulation 46(2)(g) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website. Further, a web link shall be provided in the Annual Report of the Company.

7. AMENDMENTS

Any change in the Policy shall be approved by the Board. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment / modification in the Act or the SEBI Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy