

CIN/LLPIN: L74900MH2010PLC200254



MAESTROS ELECTRONICS & TELECOMMUNICATIONS SYSTEMS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS



Maestros Electronics & Telecommunications Systems Limited

EL-66, TTC Industrial Area, Electronic Zone, Mahape, Navi Mumbai – 400 701 Maharashtra, India

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1. PREAMBLE:

In order to ensure timely identification, approval, disclosure and reporting of transactions entered between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time, the Board of Directors (the "Board") of Maestros Electronics & Telecommunications Systems Limited (the "Company" or "Maestros"), has adopted the following policy and procedures with regard to the Related Party Transactions as defined below. The Audit Committee shall review and may propose amendments to this policy as may be required.

The policy will be applicable to the Company. This policy is to regulate transactions between the Company and its related parties based on the laws and regulations applicable on the company.

2. OBJECTIVE:

This policy is framed as per the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and intended to ensure the proper approval and reporting of transaction between the Company and its Related Parties as determined under Listing Regulations 2015, read in conjunction with the provisions of Section 188 of the Act and other relevant provisions thereto. The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policy relating thereto. The Related Party Transaction Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee of the Company. The Policy shall be reviewed by the Board of Directors at least once in three years.

3. DEFINITIONS:

"Act" means Companies Act, 2013 read with rules thereto, including any amendments, re-enactments, modifications, notifications, circulars and orders issued from time to time.

"Regulation" means the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

"Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

"Associate" means a Company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and by Accounting Standard (AS) 18, "Related party disclosures".

"Audit Committee or Committee" means the Committee of the Board formed under section 177 of the Act and Regulations 18 of Listing Regulations 2015.

"Board" means Board of Directors of the Company.

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“Control” means control as defined in Section 2 (27) of the Act and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Act.

“Policy” means Related Party Transaction Policy.

“Material Related Party Transaction” means a transaction with a related party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or ten percent of the annual consolidated turnover of the Company, whichever is lower, as per the last audited financial statements of the Company.

In the case of transaction involving payment to a related party for brand usage or royalty, it will be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material Modification(s)” means and include any modification to an existing RPTs, in aggregate with a related party, having variance of 25% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

“Related Party” means a person/entity which is a related party as defined under Section 2(76) of the Act, Regulation 2(1) (zb) of Listing Regulations or under the applicable accounting standards, as amended from time to time.

Further, the following shall be deemed to be the related parties:

“Relative” with reference to any person, means who is related to another, if:

- (i) They are members of a Hindu Undivided Family.
- (ii) They are Husband or wife or
- (iii) One person is related to the another in the following manner, namely: -
 - a. Father, includes step-father.
 - b. Mother, includes step-mother.
 - c. Son, includes step-son.
 - d. Son’s wife.
 - e. Daughter.
 - f. Daughter’s husband.
 - g. Brother, includes step-brother.
 - h. Sister, includes step-sister.

“Related Party Transactions”

As per 2(1)(zc) of the SEBI (LODR) Regulations , 2015 means a transfer of resources, services or obligations between:

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- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries;

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 the following shall not be treated as related party transactions:

- a) the issue of specified securities on a preferential basis, subject to the compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding, such as
 - 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.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchanges, in the format as specified by the SEBI.
- d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time.

Explanation: For the purpose of clauses (c) and (d), acceptance of deposits includes payment of interest thereon.

- e) Retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

As per Section 188 of the Companies Act, 2013:

As per Section 188 of the Act shall means contracts or arrangements with related party with respect

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to: -

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of, or buying, property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

"Subsidiary" means a Company as defined under section 2(87) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and by Accounting Standard (AS) 18, "Related party disclosures".

Transactions in "ordinary course of business"

shall mean and include-

- Transactions that are entered in the normal and usual course of business and are identical to the business of the company.
- Transactions that is reasonable in the context of the business of the company.
- Transactions that are part of the standard industry practice.
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Any words/terms used in this Policy but not defined herein shall have the same meaning assigned to such words/term in the Act and the Rules made thereunder and the Listing Regulations as amended from time to time.

4. IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS:

The Company, on the basis of the definition of the Related Parties as laid down under the Act, the Listing Regulations and the Accounting Standard (AS), shall identify the Related Parties and maintain a list of such parties tracking the transactions, if any, with such parties.

Additionally, the list of Related Parties shall be updated based on the disclosures received from the Directors/KMP disclosing the details of his/her relatives and all firms, entities, body corporates, in which such director or KMP and their relatives, if any, are interested, whether directly or indirectly, as the case may be.

5. TERMS OF THE POLICY:

- All the Related Party Transactions and subsequent material modifications proposed to be entered shall require prior approval of the Audit Committee including the transactions to be entered in the ordinary course of business and at arm's length. The Audit Committee shall accordingly approve and recommend the Related Party Transaction for the approval of Board of Directors/

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Shareholders as per the terms of this policy.

- However, Related Party Transactions which are either not at arm's length or not undertaken in the ordinary course of business shall require the prior approval of the Audit Committee, Board of Directors and the Shareholders by way of special resolution in order to allow the Company to enter into arrangements/transactions/contracts with related party of the Company as per the prescribed provisions of Companies Act, 2013 along with the rules made thereunder and the Listing Regulations.

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

The committee shall periodically review the related party transactions and provide their comments if any,

Prior Approval of Audit Committee

- a) All Related Party Transactions and subsequent Material Modifications, if any;
- b) A Related Party Transactions whether entered into individually or taken together with the previous transactions during a financial year, wherein the subsidiary of the Company is a party, but the Company is not a party, if it exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the company.

The above-mentioned transactions shall be approved only by the independent directors of the Company who are members of the Audit Committee.

- Any member of the committee who has potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction.
- The Audit Committee shall have all rights to call for information/documents in order to understand the scope of the proposed related party transactions.
- Omnibus approval as per section 177 of the Act and Regulation 23(3) of the Listing Regulations: The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to the following conditions:
 - a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c. Such omnibus approval shall specify the following:
 - Name(s) of the Related Party;

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- Nature of the 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.

- d. In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;
- e. The Audit committee shall review, at least on a quarterly basis, the details of Related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given;
- f. Such omnibus approvals shall be valid for a period not exceeding one year commencing from April 1st and ending on March 31st irrespective of the date of approval by the Audit Committee and shall require fresh approvals after the expiry of one year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Factors to be considered by the Audit Committee while approving the Related Party Transactions

- Whether the terms of Related Party Transaction are fair and on arm's length basis?
- Whether the Related Party Transaction is in the ordinary course of business of the Company?
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any?
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or KMP of the Company;

Approval of Board of Directors

- If the Audit 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 the Board to approve a Related Party Transaction, then the Board shall consider and approve

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the Related Party Transaction at a meeting 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.

- All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board shall consider and approve the related party transaction at a meeting.
- Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

Approval of Shareholders

- All the Material Related Party Transactions and subsequent material modifications to the transaction with Related Parties as per the provisions of the Companies Act, 2013, SEBI LODR and the transactions which are not in the Ordinary Course of Business and at Arms' Length shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution. The related parties referred here shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- The explanatory statement to be annexed to the notice of a postal ballot or general meeting convened to consider and approve a Material Related Party Transaction(s) shall contain such information as specified under the Act, Listing Regulations and the SEBI circular(s) issued in this regard.

7. REQUIREMENT TO OBTAIN THE APPROVALS OF THE AUDIT COMMITTEE/BOARD/SHAREHOLDERS, AS APPLICABLE, SHALL NOT APPLY IN RESPECT OF THE FOLLOWING TRANSACTIONS:

- Related Party Transactions entered between public sector;
- Related Party Transactions entered into 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;
- Related Party Transactions to which the Listed Subsidiary is a party, but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such Listed Subsidiary;
- Related Party Transactions of unlisted subsidiaries of a Listed Subsidiary as referred in above point, the prior approval of the shareholders of the Listed Subsidiary shall suffice; and
- All the Remuneration and sitting fees paid by the Company or its subsidiary, as applicable, to its Director, key managerial personnel or Senior Management, except who is part of promoter or

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promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of listing regulations.

8. CRITERIA FOR APPROVAL OF A RELATED PARTY TRANSACTION BY THE BOARD / AUDIT COMMITTEE:

- To review a Related Party Transaction, the Board / Audit 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 benefits to the Company and to the Related Party, and any other relevant matters.

The information provided shall specifically cover the following:

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. if the transaction relates to any loans, inter-corporate deposits, advances of investments made or given by the Company or its subsidiary:
 - a. details of the source of funds in connection with the proposed transaction;
 - b. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- vii. Justification as to why the RPT is in the interest of the 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;
- viii. the persons/authority approving the transaction; and
- ix. any other information relevant or important for the Committee to take a decision on the proposed transaction.

- In determining whether to approve a Related Party Transaction, the Board/ Audit Committee shall consider the following factors, amongst others, to the extent relevant to the Related Party Transaction:-
 - i. Whether the transaction is in the ordinary course of business of the company.
 - ii. 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;
 - iii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

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- iv. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- v. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- vi. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- vii. Whether the Related Party transaction would present an improper 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, Executive Officer or other Related Party, the direct or indirect nature of the director's, 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.

9. DISCLOSURES:

Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

- (a) With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- (b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

- All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Company Secretary of the Company of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register pertaining to related party transactions in the prescribed form.
- The related party transaction entered into with the related party/ies shall be disclosed in the Director Report / Annul Report as per the disclosure requirement of the Act.
- The company shall disclose the policy on dealing with Related Party Transactions on its website

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and a web link thereto shall be provided in the Annual Report.

- Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under listing agreement.

10. RATIFICATION:

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it."

11. AMENDMENTS TO THE POLICY:

- The Board of Directors can amend this Policy, on the recommendation of the Audit Committee as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.
- In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant 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.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the company.

The Policy last updated on _____.

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