



Marksans Pharma Ltd.

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Background

Marksans Pharma Limited ('the Company') believes in transparency in dealings with persons who are considered as related to the Company so that interest of stakeholders in the Company that includes shareholders, financiers, customers, suppliers, government, etc. is protected and meet the desired objective of good corporate governance practices.

To achieve these objective and in accordance with the provisions of Section 177 and 188 of the Companies Act, 2013 ('the Act'), along with the relevant rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), as amended, the Company has formulated a policy for observance in dealings with the related party transactions and determining the materiality of related party transactions.

2. Definitions:

"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. These transactions are entered into in the normal course of business without giving any special preference / benefit /treatment to the related party.

"Related Party" means a related party as defined under Regulation 2 (zb) of the Listing Regulations including all amendments and modifications thereof from time to time;

"Related Party Transaction(s)" means transactions as given under Section 188 of the Companies Act, 2013 read with the corresponding Rules thereto or a transaction involving transfer of resources, services or obligations between:

(a) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or

(ii) With effect from 1st April, 2023, the Company 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 Company 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 a related party transaction:

(a) 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;

(b) the following corporate actions by the Company which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:

i. payment of dividend;

ii. subdivision or consolidation of securities;

iii. issuance of securities by way of a rights issue or a bonus issue; and

iv. buy-back of securities.



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“Transaction” means transaction with a related party shall be construed to include single transaction or group of transactions.

“Material Related Party Transaction” means a transaction with a related party, where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 Crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower. However, a transaction(s) 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 exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements (Materiality Threshold).

“Ordinary Course of business” means the transactions which the company deals regularly or enter in the normal course of its business and includes all activities which the company can undertake as per Memorandum & Articles of Association.

“Subsidiary” means a subsidiary as defined under Section 2(87) of the Companies Act, 2013

3. Identification of Related Parties

A list of related parties as prescribed under Section 2(76) of the Companies Act, 2013 read with Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and as per Accounting Standard (AS 18)/ Indian Accounting Standards (Ind AS 24) on related party shall be identified and updated periodically.

4. Procedure for approval of Related Party Transaction

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the followings:

Approval and Review by Audit Committee:

- (a) All the related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company. The Audit Committee shall consider all relevant factors while deliberating on the related party transactions for its approval.
Explanation: Material Modifications shall mean any variation exceeding 25% in the volume and/or value of any previous related party transactions.
- (b) All the related party transactions and subsequent material modifications shall be approved by only those members of the Audit Committee of the Company, who are Independent Directors. Any member of the Audit Committee who is interested in any contract or arrangement or transaction with a related party shall neither be present at the meeting during discussions nor shall vote to approve such contract or arrangement or transaction.
- (c) 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 percent of the annual consolidated turnover of the Company, as per the last audited financial statements;



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- (d) However, with effect from 1st April, 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 percent of the annual standalone turnover of such subsidiary, as per the last audited financial statements of such subsidiary;
- (e) However, the Audit Committee may grant an omnibus/blanket approval in respect of related party transactions which are repetitive/routine/regular in nature. Such approval would however be subject to the following conditions:
1. The omnibus/blanket approval will be in respect of transactions which are repetitive/routine/regular in nature and relates to goods and services in which the Company regularly deals in its normal course of business and at arm's length basis.
 2. The omnibus/blanket approval will not cover transactions in respect of selling or disposing of the undertakings of the Company.
 3. The maximum value of all the transactions, in aggregate, with all the related parties during a financial year under omnibus/blanket approval route will be 25% of the annual consolidated turnover of the Company as per the last audited financial statements.
 4. The maximum value of a single transaction that will be covered under the omnibus/blanket approval will be 10% of the annual consolidated turnover of the Company as per the last audited financial statements.
 5. The Audit Committee shall satisfy itself the need for such omnibus/blanket approval and that such approval is in the interest of the Company.
 6. The omnibus approval shall contain details of:
 - (i) the name of related party
 - (ii) nature of transaction
 - (iii) period of transaction
 - (iv) maximum amount of transaction
 - (v) indicative base price/current contractual price and formula for variation in the price, if any.
 - (vi) such other conditions as Audit Committee may deem fit.
 7. However, Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus/blanket approval for related party transactions that cannot be foreseen and for which the aforesaid details are not available upto a value of Rs. 1 (one) Crore per transaction.
 8. The Audit Committee shall review on a quarterly basis, the details of the related party transactions entered into by the Company pursuant to each of the omnibus/blanket approval given.
 9. The omnibus/blanket approval shall be valid for one financial year only and after the expiry of the said financial year, a fresh omnibus/blanket approval will be required.
 10. The Audit Committee will specify criteria for granting omnibus/blanket approval in line with the above terms.

Approval and Review by Board of Directors

Approval of Board of Directors shall be required for all related party transactions which are:

- (i) not in the ordinary course of business,
- (ii) in the ordinary course of business but not at arm's length basis,



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(iii)not approved but recommended by the Audit Committee to the board for approval.

Any member of the Board of Directors who is interested in any contract or arrangement with a related party shall neither be present at the meeting during discussions nor shall vote to approve such contract or arrangement.

Approval of the shareholders of the Company

Prior approval of shareholders of the Company, by way of resolution, shall be required for all related party transactions including any subsequent material modification which are:

- i. exceeding Materiality threshold limits as prescribed under Regulation 23 of Listing Regulations,
- ii. exceeding certain threshold limits as prescribed under Section 188 of the Companies Act, 2013 and the Rules made thereunder.

A shareholder who is a related party, shall not vote to approve such resolution, irrespective of whether he/she is a party to the particular transaction or not.

5. Exemptions

Approval of the Audit Committee would not be required for the related party transactions, other than a transaction referred to in Section 188 of the Companies Act, 2013 entered into by the Company with its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval. However, any related party transactions 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 would also be not required approval of audit committee.

Approval of the Board of Directors would not be required for the related party transactions covered under section 188 of the Act which are in the ordinary course of business and on arm's length basis.

Approval of the shareholders would not be required for the related party transactions which are:

- i. in the ordinary course of company's business, entered on arm's length basis and the value of which does not exceed the threshold limits as prescribed under the Companies Act, 2013
- ii. does not exceed the Materiality threshold limits as prescribed under Regulation 23 of Listing Regulations
- iii. the transactions entered into between the Company and its wholly-owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting.
- iv. any related party transactions between two wholly owned subsidiary of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting.

6. Reporting and Disclosures of Related Party Transaction

The Audit Committee/Board of Directors shall be provided with all relevant material information of the related party transactions to enable them to review and approve (if required) a related party transaction. Further, a statement giving details of all the related party transactions entered into by the Company shall be placed periodically before the Audit Committee for review.



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Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be disclosed in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.

The details of related party transactions on a consolidated basis shall be submitted, to the stock exchanges and published on the Company's website every six months, within 15 days from the date of publication of the Company's financial results. However, with effect from 1st April, 2023, it shall make disclosures every six months on the date of publication of the Company's financial results.

The transactions with any person or entity belonging to the promoter/promoter group of the Company and having shareholding of 10% or more in the Company shall be disclosed in the annual report.

7. Interpretation and Amendment

This policy shall be subject to and in line with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Any contradiction between the policy and the applicable laws, the latter shall prevail. 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 in such case shall be final. In interpreting such term / provision, the Audit Committee may consult the Board or may take help of any of the officers of the Company or an outside expert as it may deem fit.

The Board of Directors of the Company will review this policy at least once in three years and shall have power to amend any provisions of this policy, substitute any of the provisions with a new provision or replace this policy entirely with a new policy, subject to the same being in compliance with the applicable laws as aforesaid.

As approved by the Board of Directors of the Company at its meeting held on 11th February, 2022.
