RELATED PARTY TRANSACTIONS

SECTION 188, COMPANIES ACT, 2013

Section	Nature Of Transaction	Limit	Compliance Requirement On Exceeding the Limit
188(1)(A)	SALE, PURCHASE OR SUPPLY OF ANY GOODS OR MATERIALS	**10%** OR MORE OF THE **TURNOVER** OF THE COMPANY	PASS BR+PASS OR Below Limit- Pass BR Only
188(1)(B)	SELLING OR OTHERWISE DISPOSING OFF, OR BUYING PROPERTY OF ANY KIND	**10%** OR MORE OF THE **NETWORTH** OF THE COMPANY	PASS BR+PASS OR Below Limit-Pass BR Only
188(1)(C)	LEASING OF PROPERTY OF ANY KIND	**10%** OR MORE OF THE **TURNOVER** OF THE COMPANY	PASS BR+PASS OR Below Limit-Pass BR Only
188(1)(D)	AVAILING OR RENDERING OF ANY SERVICES	**10%** OR MORE OF THE **TURNOVER** OF THE COMPANY	PASS BR+PASS OR Below Limit- Pass BR Only
188(1)(E)	APPOINTMENT OF ANY AGENT FOR PURCHASE OR SALE OF GOODS, MATERIALS, SERVICES OR PROPERTY	**10%** OR MORE OF THE **TURNOVER** OF THE COMPANY	PASS BR+PASS OR Below Limit-Pass BR Only
188(1)(F)[1]	SUCH RELATED PARTY'S APPOINTMENT TO ANY OFFICE OR PLACE OF PROFIT IN THE COMPANY, ITS SUBSIDIARY COMPANY OR ASSOCIATE COMPANY	**RS. 2.5 LACS** PER MONTH	PASS BR+PASS OR Below Limit-Pass BR Only
188(1)(G)	UNDERWRITING THE SUBSCRIPTION OF ANY SECURITIES OR DERIVATIVES THEREOF OF THE COMPANY	**EXCEEDING 1%** OF THE **NETWORTH** OF THE COMPANY	PASS BR+PASS OR Below Limit-Pass BR Only

EXPLANATION:

Limits specified under section 188(1)(a) to section 188(1)(e) shall apply for transactions to be entered either individually or taken together with the previous transactions during a financial year.

IMPORTANT:

1. [1]office or place of profit under section 188(1)(f) means any office or place of profit:
   - A. If held by director-
     If such director receives from the company anything by way of remuneration more than the remuneration what he is entitled to receive as a director by way of salary, fee, commission, perquisites, any rent-free accommodation or otherwise.
   - B. If held by a person other than a director-
     If such person receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
2. If the transaction is being entered by the company in ordinary course of business on arm's length basis then section 188 shall not be applicable.
3. If the transaction is being entered between holding company and its wholly owned subsidiary company then such wholly owned subsidiary need not to pass any resolution and the resolution passed by the holding company shall be sufficient.
4. The requirement of passing ordinary resolution shall not be applicable for the transactions entered into between holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
5. If the company is entering into any transaction with related party and such related party is also the member of the company then such member is not entitled to vote as the member of the company at the

general meeting as he is an interested person. However, this condition shall not apply in case of private company.

a. This condition shall not apply to a company in which 90% or more members in number, are relatives of promoters or are related parties.

b. If the company enters into any related party transaction without obtaining approval of BoD/shareholders by passing BR/OR then-

6. Company needs to ratify such contract within 3 months from the date of entering into such contract or arrangement then such contract or arrangement shall become voidable at the option of the bod/shareholders, as the case may, and if such contract or arrangement is with related party to any director or is authorized by any other director then the concerned director shall indemnify the company to the extent of loss suffered by the company.
   a. Furthermore, it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of section 188 for recovery of any loss sustained by it as a result of such contract or arrangement.

7. Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of section 188 shall be liable to-
   a. Listed company:
      i. Imprisonment upto 1 year
      ii. Fine: Minimum-Rs 25,000
      Maximum-Rs 5lacs
   b. Other company:
      i. Fine: minimum-Rs 25,000
      Maximum-Rs 5 lacs