

ROAD TO RELATED PARTY TRANSACTIONS GETS NARROW

In a major move the Ministry of Corporate Affairs (MCA) has after taking into consideration the feedbacks from the stakeholders has vide its amendment dated August 14, 2014 in the (MEETINGS OF BOARD AND ITS POWERS) SECOND AMENDMENT RULES, 2014

Rule 15, Sub rule (3) of the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014

According to Section 188(1) prior approval of the company by passing a Special Resolution is a requisite for entering into following transaction:

Sr. No	TRANSACTION	Old Limits	New Limits	Note
1	Sale, purchase or supply of any goods or material - Sec 188(1)(a)	Exceeding 25% of the annual turnover	Exceeding 10% of the turnover of the company or rupee one hundred crore, whichever is lower	The Limits specified in section 188 (1) sub clauses (a) to (d) shall apply for transaction or transactions to be entered in to individually or taken together with the previous transactions during a financial year.
2	Selling or otherwise disposing of, or buying, property of any kind - Sec 188(1)(b)	Exceeding 10% of the Net worth	Exceeding 10% of net worth of the company or rupee one hundred crore, whichever is lower	
3	Leasing Property of any Kind - Sec 188(1)(c)	Exceeding 10% of the Net worth or exceeding 10% of turnover	Exceeding 10 % of the net worth of the company or ten percent of turnover of the company or rupee one hundred crore, whichever is lower.	
4	Availing or rendering of any services & Appointment of any agent for purchase or sale of goods, materials, services or property - Sec 188 (1)(d) & (e)	Exceeding 10% of Networkth	Exceeding 10% of the turnover of the company or rupees fifty crore, whichever is lower.	

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Sr. No	TRANSACTION	Old Limits	New Limits	Note
5	Such related party's appointment to any office or place of profit in the company , its subsidiary company or associate company – Sec 188 (1)(f)	If appointment to any office or place of profit in the company , its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupee.	No Change	The turnover or Net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.
6	Underwriting the subscription of any securities or derivatives thereof, of the company - Sec 188(1)(e)	Remuneration for underwriting the subscription of any securities or derivatives of the company exceeds 1% of the net worth	No Change	

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