



MANGAL CREDIT AND FINCORP LIMITED

RELATED PARTY TRANSATION POLICY

Preface:

The Board of Directors ("the Board") of Mangal Credit and Fincorp Limited ("the Company") has adopted this policy and procedures with regard to Related Party Transactions as defined hereunder. The Audit Committee of the Board is empowered to review and amend this Policy from time to time. This Policy has been formulated to regulate transactions between the Company and its Related Parties based on the laws and guidelines applicable to the Company.

Objective:

The Policy has been framed to comply with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The Policy is intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. Such transactions shall be appropriate only if, they are in the best interest of the Bank and its shareholders.

Definitions:

a) "Audit Committee" or "Committee" means the Audit Committee as constituted by Board of Directors of the Company under applicable law;

b) "Board" or "Board of Directors" means the Board of Directors of the Company, as constituted from time to time;

c) "Companies Act" means the Companies Act, 2013 together with the rules formulated thereunder, as amended from time to time;

d) "Director" means a member of the Board of Directors of the Company;

e) "Key Managerial Personnel" or "KMP" means the managerial personnel as defined under Section 2(51) of the Companies Act;

f) "Material Modification" shall mean a modification to the terms of a Related Party Transaction, the effect of which will be an increase over the approved limit for such a transaction, by an amount of more than Rs. 100 Crores in a financial year or ten percent (10%) of the approved limit, whichever is higher.

g) "Material Related Party Transaction" means a transaction with a Related Party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.1,000 Crores or ten percent (10%) of the consolidated annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower;

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five per cent (5%) of the annual consolidated turnover as per the last audited financial statements of the Company;

h) "Policy" means this Related Party Transactions Policy;

i) 'Promoter' and 'Promoter Group' shall have the meaning assigned to it under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any amendment thereof;

j) "Related Party" means a related party as defined under Regulation 2(1)(zb) of SEBI LODR Regulations, as amended from time to time;

k) "Related Party Transaction" means a transaction as defined under Regulation 2(1)(zc) of SEBI LODR Regulations, as amended from time to time;

l) "Relative" means a relative as defined in Section 2(77) of the Companies Act;

m) "SEBI LODR Regulations" means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time;

Related Party Transactions defined under Section 188 as per Companies Act, 2013:

(1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect 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;

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party

Provided also that nothing contained in the second proviso shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a 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.

Explanation In this sub-section –

(a) the expression "office or place of profit" means any office or place –

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (b) the expression “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.
- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.
- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a 3[resolution] in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement 9[shall be voidable at the option of the Board or, as the case may be, of the shareholders] and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the Directors concerned shall indemnify the company against any loss incurred by it.
- (4) Without prejudice to anything contained in sub-section (3), 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 this section for recovery of any loss sustained by it as a result of such contract or arrangement.
- (5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall, –
- (i) in case of listed company, be liable to a penalty of twenty-five lakh rupees and
- (ii) in case of any other company, be liable to a penalty of five lakh rupees

As per Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) regulation, 2015:

- (1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

Provided that a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

- (1A) Notwithstanding the above a transaction 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, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.
- (2) All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- (b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity;

- (c) *with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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;*
- (d) *prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.*

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- (3) *Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-*
- (a) *the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;*
- (b) *the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;*
- (c) *the omnibus approval shall specify:*
- (i) *the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,*
- (ii) *the indicative base price / current contracted price and the formula for variation in the price if any; and*
- (iii) *such other conditions as the audit committee may deem fit.*

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction;

- (d) *the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.*
- (e) *Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:*
- (4) *All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.*

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

(5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:

- (a) transactions entered into between two government companies;*
- (b) transactions entered into between a 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.*
- (c) 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.*

Explanation. - For the purpose of clause (a), "government company (ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

(6) The provisions of this regulation shall be applicable to all prospective transactions.

(8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

(9) The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

Manner of dealing with Related Party Transactions:

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee unless otherwise specifically exempted in accordance with this Policy.

Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

(i) Approval of the Audit Committee:

a. Subject to the omnibus approval process under Regulation 23(3) of the SEBI LODR Regulations, all Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee.

b. 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 the threshold limits specified under Regulation 23(2) of SEBI LODR Regulations, as amended from time to time.

c. Where any member of Audit Committee / Director is interested in any contract or arrangement with a Related Party, such member / Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

(ii) Approval of the Board of Directors:

The following transactions shall require approval of the Board duly recommended by the Audit Committee:

- a. All transactions with Related Parties specified under Section 188 of the Companies Act, which are not in ordinary course of business or not at arm's length, or both.
- b. All transactions with Related Parties which are required to be placed before the shareholders for approval under the Companies Act or SEBI LODR Regulations.

(iii) Approval of the shareholders:

- a. All Material Related Party Transactions and any subsequent Material Modifications made thereto shall require prior approval of the shareholders through a resolution and all the Related Parties shall not vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.
- b. All Related Party Transactions specified under Section 188 of the Companies Act, which are not in ordinary course of business or not on arm's length basis and exceed the threshold limits specified thereunder shall require prior approval of the shareholders through a resolution and voting restrictions for this purpose would be governed by the Companies Act as amended from time to time.

The Audit Committee/Board/shareholders shall be provided with the material facts of such Related Party Transactions and such information as specified under the Companies Act or SEBI LODR Regulations or any notifications / circulars issued in this regard, as amended from time to time, and the Audit Committee/Board will determine whether to approve such Related Party Transactions or not. Further, the Audit Committee / Board, as the case may be, is entitled to seek the assistance of any employee of the Company or its Subsidiaries or one or more independent experts of its choice at the expense of the Company or its Subsidiaries.

In assessing a Related Party Transaction, the Company and the Audit Committee shall consider such factors as it deems appropriate, including without limitation –

- a. the business reasons for the Company to enter into the Related Party Transaction;
- b. the commercial reasonableness of the terms of the Related Party Transaction;
- c. the materiality of the Related Party Transaction to the Company or its Subsidiaries;
- d. whether the terms of the Related Party Transaction are fair to the Company or its Subsidiaries and on the same basis as would apply if the transaction did not involve a Related Party;
- e. the extent of the Related Party's interest in the Related Party Transaction;
- f. abuse of position on account of conflict of interest and non-arm's length dealings which are beneficial to the Related Party but detrimental to the other stakeholders.

Mechanism for determining ordinary course of business and arm's length basis:

Ordinary course of business:

All transactions or activities that are necessary, normal and incidental to the business of the Company shall be deemed to be in the ordinary course of business. These may also be common practices and customs of commercial transactions.

To decide whether an activity which is carried on by the business is in the 'ordinary course of business', the following factors may inter alia be considered:

- a. Whether the activity is covered in the objects clause of the Memorandum of Association.
- b. Whether the activity is in furtherance of the business.
- c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.).
- d. Whether the activity is repetitive/frequent.
- e. Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account.
- f. Whether the transactions are common in the particular industry.
- g. Whether there is any historical practice to conduct such activities.
- h. The financial scale of the activity with regard to the operations of the business.

- i. Revenue generated by the activity.*
- j. Resources committed to the activity.*

Arm's length:

The following guidelines may be used for determining the arm's length basis:

- a. whether the terms of the transaction are fair and would apply on the same basis if the transaction did not involve a Related Party;*
- b. whether there are any compelling business reasons to enter into the transaction and the nature of alternative transactions, if any;*
- c. whether the transaction would affect the independence of an Independent Director;*
- d. whether the transaction poses any consequential potential reputational risk issues;*
- e. whether the transaction would present an improper conflict of interest for any Director or KMP, taking into account the size of the transaction, the overall financial position of the Director/KMP or other Related Party, the direct or indirect nature of the Directors', KMPs', or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship.*

For determining the arm's length pricing, the Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income-Tax Act 1961 may be used to determine these criteria on a case-to-case basis.

Disclaimer:

This Policy is for the requirement and procedural based, this shall not be treated as approval for the Related Party Transactions as for the same one need to take approval from requisite authorities as explained above the policy.

Applicable date:

Policy approved on 13th February, 2023