

MANGAL

CREDIT AND FINCORP LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTION

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 Rs. 10 Crores or more 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;

Manner of dealing with Related Party Transactions:

1. All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee. Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

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.

- g. Such other disclosures as may be necessary in accordance with the rules, circulars or guidelines issued by MCA, SEBI, etc (collectively referred to as “Regulatory Authorities”)

The member of the Audit Committee, who are independent directors, may ratify related party transactions within three months from the date of 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 SEBI (LODR) Regulations, 2015;
- 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 under periodical return filed to the Stock exchanges;

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.

2. Omnibus approval process:

The Audit committee may grant omnibus approval for related party transactions which are repetitive in nature, subject to following conditions;

- i. It should be in the interest of the Company;
- ii. Approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year;
- iii. Shall review at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- iv. Following disclosures to be placed before the Audit Committee;
 - a. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
 - b. the indicative base price / current contracted price and the formula for variation in the price if any,

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.

3. 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, 2013 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, 2013 or SEBI LODR Regulations.

4. Approval of the shareholders:

- a. All material related party transactions and subsequent material modification shall require prior approval of the shareholders through resolutions, with such disclosures as may be determined by SEBI / Stock Exchanges from time to time, no related party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not. (approval shall be valid for a period not more than 1 year however, if it has taken at Annual General Meeting then it will remain valid for next AGM provided it has been conducted in compliance with the regulatory requirements)
- b. Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188:
- c. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- d. Leasing of property any kind amounting to ten percent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188:
- e. Availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:
- f. Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

- g. Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

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, 2013 and the rules made thereunder 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.

5. Reporting of Related Party Transactions:

- a. All Related Party Transactions, including any material modifications thereto, shall be placed before the Audit Committee and the Board of Directors for their review and noting/approval, at least on a quarterly basis;
- b. All Related Party Transactions shall form part of the financial statements of the Company in accordance with the applicable Accounting Standards;
- c. Disclosures as required under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall be included in the Annual Report of the Company;
- d. Disclosures in terms of Regulation 23 of the SEBI (LODR) Regulations, 2015, shall be submitted to the Stock Exchanges on a half-yearly basis along with the financial results and shall also be hosted on the website of the Company..

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 14th February, 2023, revised on 5th August, 2025