

## Policy on Related Party Transaction

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## I. Preamble:

Mangal Credit and Fincorp Limited (hereinafter referred to as “MCFL” or “the Company”) is a public limited Company incorporated under the provisions of the Companies Act, 1956 having CIN L65990MH1961PLC012227 AND an RBI Registered NBFC as a “Non- Systemically Important and Non-Deposit Accepting Non-Banking Financial Company”.

This policy has been framed in order to comply with the requirements of Reserve Bank of India (RBI) Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 (“Directions”) vide its notification no. RBI/DNBR/2016-17/44 (Master Direction DNBR.PD.007/03.10.119/2016-17) and as per the requirements of LODR.

This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013, Accounting standards as issued by Institute of Chartered Accountants of India, Income tax Act and such other statutes as may be put in place, in relation to Related Party Transactions.

The Board of Directors (“the Board”) of the Company understands the importance of stakeholders’ confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of the stakeholders, the Board of the Company, acting upon recommendation of its Audit Committee (the Committee), has adopted the following policy and procedures with respect to Related Party Transactions of the Company.

## II. Objective and Scope:

This policy shall be applied in:

1. Identifying related party(ies), updating and maintaining the database of such persons/entities;
2. Ascertaining that the transactions entered with the related party(ies) is/are in ‘ordinary course of business’ and at ‘arm’s length basis’;
3. Identifying related party(ies) transactions;
4. Obtaining approvals before entering into any related party(ies) transactions;
5. Determining the disclosures / compliances to be adhered in relation to the related party (ies) transactions.

## III. Definitions:

- (1) “**Act**” means the Companies Act, 2013.
- (2) “**Arm’s Length Transactions**” means transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (3) “**Arm’s Length Price**” means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.

- (4) **“Key Managerial Personnel (KMP)”** means Managing Director, Whole Time Director, Executive Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company.
- (5) **“Related Party”** is a party as defined in sub-clause (76) of sections 2 of the Act.
- (6) **“Related Party Transaction”** or **“RPT”** means transactions as given under clause (a) to (g) subsection (1) of section 188 and shall include:
- (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.

Notwithstanding the foregoing, the following shall not be deemed as Related Party Transactions for the purpose of this Policy:

- (a) Any transaction that involves providing of compensation to a Director or KMP, in accordance with the provisions of the Act, in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business.
  - (b) Reimbursement made of expenses incurred by a Related Party for business purpose of the Company.
  - (c) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit Committee.
- (7) **“Relative”**

In terms of Section 2(77) of the Act read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if:

- (a) They are members of a Hindu undivided family;
- (b) They are husband and wife;
- (c) Father (including step-father);
- (d) Mother (including step-mother);
- (e) Son (including step-son);

- (f) Son's wife;
- (g) Daughter;
- (h) Daughter's husband;
- (i) Brother (including step-brother); or
- (j) Sister (including step-sister).

(8) **"Ordinary Course of Business"** shall mean any matter which transpires as a matter of normal and incidental daily customs and practices in business and / or something which is done, as a matter of corporate historical practice, in the ordinary course of business and shall include:

- (a) Transactions covered in the 'main objects' or the 'objects incidental' to attainment of the main objects as envisaged in the Memorandum of Association of the Company,
- (b) Transactions which are usually carried on by the Company,
- (c) Transactions which has been done by the Company regularly in last Five (5) years,
- (d) Transactions done with a Related Party on a similar basis as if a third party,
- (e) Transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.

#### IV. Identification of Related Party and Related Party Transactions:

1. If a Director, KMP wishes to enter into a Related Party Transaction with the Company involving either him/her or his/her Relative, shall give a notice to the Company along with all relevant details and documents.
2. Notice of any Related Party Transactions, referred above shall be given well in advance so that the Company has adequate time to obtain additional information or documents about the proposed Related Party Transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.
3. Every Director and KMP shall make an annual disclosure as required under Section 184(1) of the Act read with applicable rules made there under as may be amended from time to time.
4. Every Director and KMP shall also promptly intimate any change in the annual disclosures mentioned above.

#### V. Review and Approval of Related Party Transactions:

##### 1. Approval of the Audit Committee:

- (A) Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. The Audit

Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following guidelines:

- (a) The omnibus approval given by the Audit Committee shall specify:
- i. The name/s of the Related Party(ies),
  - ii. Nature of transaction/relationship,
  - iii. Duration/ period of transaction,
  - iv. Maximum amount of transaction that can be entered into,
  - v. The indicative base price/current contracted price and the formula for variation in the price if any,
  - vi. Material terms of the contract with value, if any,
  - vii. Name of the Interested Party/Director/KMP/Relative,
  - viii. Brief particulars of the contract, and
  - ix. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where a 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 Rs. 1 crore per transaction.

- (b) The omnibus approval shall be valid for a period of one (1) financial year and shall require fresh approval after expiry of such financial year.
- (c) Omnibus approval shall not be granted for transactions in respect of selling or disposing of the undertaking of the Company.
- (d) In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, to enter into a transaction with a Related Party(ies).
- (e) Audit Committee shall review, on yearly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- (B) Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall not be part of discussion and voting on the approval of the related party transaction.
- (C) Notwithstanding the foregoing, the following Related Party Transactions shall **not require approval of Audit Committee:**
- (1) Any transaction that involves the providing of compensation to a director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

- (2) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party such as Dividend, Bonus etc.
- (3) Transaction(s) as listed below undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year:
  - (a) Transaction(s) done in Ordinary Course of Business and on Arm's Length basis or at Arm's Length Price;
  - (b) Receipt of remuneration by way of sitting fees;
  - (c) Reimbursement of expenses for attending Board Meeting and / or Meetings of Committee of Directors;
  - (d) Any profit related commission as approved by members.

In connection with any review of a Related Party(ies) Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy, subject to compliance with the applicable legal provisions.

## **2. Approval of the Board of Directors:**

- A. The following Related Party(ies) Transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:
  - (1) Related Party(ies) Transactions referred by the Audit Committee;
  - (2) Related Party(ies) Transactions **not** on Arm's Length basis or at Arm's Length Price,
  - (3) Related Party (ies) Transactions **not** in the Ordinary Course of Business.
- B. The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
  - (1) The name of the Related Party(ies) and nature of relationship;
  - (2) The nature, duration of the contract and particulars of the contract or arrangement;
  - (3) The material terms of the contract or arrangement including the value, if any;
  - (4) Any advance paid or received for the contract or arrangement, if any;
  - (5) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
  - (6) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - (7) Any other information relevant or important for the Board to take a decision on the proposed transaction in line with the applicable legal requirements.
- C. Any Director interested in any contract or arrangement with a related party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

### 3. Approval of the Shareholders:

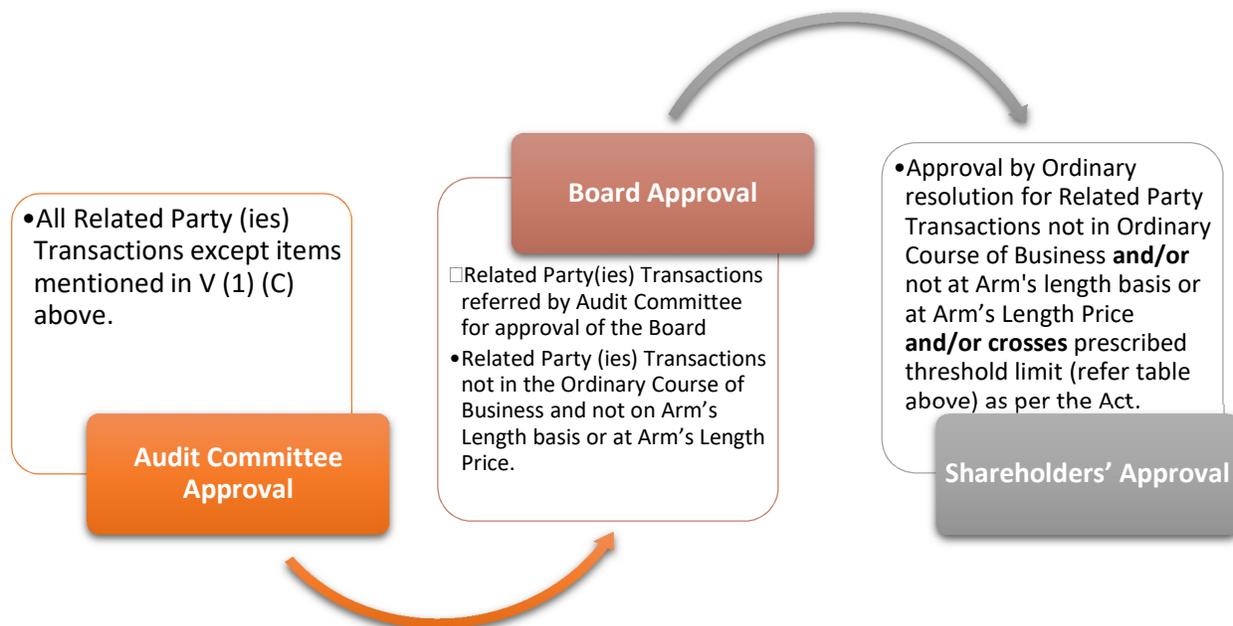
A. Any related party transaction which is not in the Ordinary Course of Business **and/or** not on Arm's Length Basis or at Arm's Length Price, **and/or** crosses prescribed threshold limit for as per the Act will require prior approval of the Shareholders.

Sr. No.	Transactions	Threshold Values
(i)	Sale, purchase or supply of any goods or materials	> 10% of the TO* of the Company or Rs. 100 crore,  whichever is <b>lower</b> ;
(ii)	Selling or otherwise disposing of or buying property of any kind	>10% of the NW* of the Company or Rs.100 crore,  whichever is <b>lower</b> ;
(iii)	Leasing of property of any kind	> 10% of NW* of the Company or 10% of TO* of the Company or Rs 100 crore,  whichever is <b>lower</b> ;
(iv)	Availing and rendering of any kind of services	>10% of the TO* of the Company or Rs.50 crore,  whichever is <b>lower</b> ;
(v)	Appointment of any person in the office or any place of profit in the company, its subsidiary or associate company	at a monthly remuneration exceeding Rs. 2,50,000;
(vi)	Remuneration for underwriting of subscription of any securities or derivatives of the Company	>1% of NW of the Company.

\*TO – Turnover; NW – Networth

- B. The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars namely:
- (1) Name of the Related Party(ies)
  - (2) Name of the Director or Key Managerial Personnel who is related, if any;
  - (3) Nature of relationship;
  - (4) Nature, material terms, monetary value and particulars of the contract or arrangement;
  - (5) Any other information relevant or important for the members to take a decision on the proposed resolution.

The approval policy framework is given below:



#### VI. Decision regarding transactions in ordinary course of business and at Arm's Length:

The Audit Committee or the Board shall decide, after considering the materials placed before them, if the transaction is in the Ordinary Course of Business and meets the Arm's Length Price requirements.

#### VII. Related Party Transactions not approved under this policy:

In the event the Company becomes aware of a transaction with a Related Party (ies) that has/have not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding such Related Party (ies) Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party (ies) Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party (ies) Transaction to the Committee under this Policy, and shall take any such action as it deems appropriate.

In case, where the Audit Committee determines not to ratify a Related Party (ies) Transaction that has/have been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of such transaction.

In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long

as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

#### VIII. Policy Review:

This Policy shall be reviewed by the Audit Committee every year, in order to align with the ongoing regulatory and business requirements. The policy as reviewed by the Audit Committee shall be placed before the Board for its approval.

#### IX. Disclosure:

Appropriate disclosures as required by the Act, LODR and Reserve Bank of India will be made in the Annual Return and the Board's Report of the Company. This Policy shall be disclosed on the website of the Company.

#### X. Appointment of Principal Officer:

MCFL shall designate a senior employee as 'Principal Officer' (PO) who shall be located at the Head/Corporate office and shall be responsible for this policy. PO shall monitor the compliance of this policy and report to management in case of any conflict.

#### XI. Revision

This Policy will be reviewed by the Board on periodic basis to evaluate the same in relation to the applicable laws in force and will be updated accordingly. The updated policy will be effective and replace the original policy from the date of approval.

Approved by Board on 12.08.2021

For and on behalf of Board of Directors of  
**Mangal Credit & Fincorp Limited**  
Director

Date: 12<sup>th</sup> August, 2021.

### Checklist for policy on Related Party Transaction

Sr No.	Compliances required	Person responsible	Complied
1	A proper team is established for identification of related party relationship of entities with the Company	Company Secretary	✓
2	A proper check on the regulatory framework of the related party transaction is ensured	Company Secretary	✓
3	The Directors and KMP make annual disclosure u/s 184(1) of the CA, 2013	Company Secretary	✓
4	Approval of the Related party transaction by the Audit Committee	Company Secretary	✓
5	Approval of such transaction by the Board of Directors	Company Secretary	✓
6	Approval by shareholders, if required	Company Secretary	✓
7	Policy review on annual basis	Board of Directors	✓
8	Appointment of Principal Officer for this Policy	Board of Directors	✓