

Moongipa Capital Finance Limited

Policy

On

**Materiality of Related Party Transactions and also
on dealing with Related Party Transactions**

1. Preamble

This Policy on Materiality of Related Party Transactions (hereinafter referred to as “**RPT**”)and also on dealing with RPTs with clear threshold limits as approved hereinbelow as required under applicable provisions of the Companies Act, 2013 (hereinafter referred to as “Act”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “Listing Regulations”).

2. Purpose of the Policy

This Policy is adopted to monitor and manage potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions. This Policy clearly defines the process of obtaining the approval of the Board, Committee or Shareholders, as the case may be, for entering into RPTs in compliance with the Act and Listing Regulations and strives to adopt the good practices carry out RPT in fair and transparent manner.

3. Applicable Definitions

3.1. Act means Companies Act, 2013;

3.2. 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.

3.3. Board means the Board of directors of Moongipa Capital Finance Ltd.;

3.4. Committee means the Audit committee of Board of Moongipa Capital Finance Ltd. as defined under the Companies Act,2013 and the Listing Regulations

3.5. Company means MOONGIPA CAPITAL FINANCE LIMITED;

3.6. Key Managerial Personnel or KMP means key managerial personnel as defined under the provisions of Section 2(51) of the Companies Act, 2013

3.7. Listing Regulations means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

3.8. “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 ten percent of the annual consolidated turnover as per the last audited financial statements of the Company;

3.9. “Related Party transactions” means such Contract or arrangement as referred to and defined under the Act and the Listing Regulations;

3.10. Policy means this Policy **Rules** means the Company (**Meetings** of Board and Its Powers) Rules, 2014;

3.11. Related Party means such party as defined under the Act and Listing Regulations

3.12. Relative means relative as defined under the Companies Act, 2013. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:

- i. they are members of a Hindu undivided family;
- ii. they are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)
- xi. Brother’s wife
- xii. Sister’s husband

4. The Policy

Following is the structure of dealing with transactions with Related Parties with the Company:

- Identification of Related Parties;
- Identification of potential Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

4.1. Identification of Related Parties

The Audit Committee shall prepare the List of Related Parties in terms of the Act and the Listing Regulations by referring to the disclosures received from the Directors/ KMP of the Company as required under the law or as required by the Committee for this purpose.

4.2. Identification of potential Related Party Transactions;

The Transactions being entered into or proposed to be entered into with the above prepared list of related parties shall be considered as Related Party Transactions.

- (i) Every Director and the KMP of the Company shall be responsible for providing the information and notice of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that may be reasonably requested, to the Chairman of the Board or the Audit Committee, in writing.
- (ii) The Audit Committee will determine whether or not such a transaction constitutes a Related Party Transaction, requiring the compliance with this Policy. The Audit Committee shall review information about the proposed transaction, and refer it to the Board of Directors for its approval, if required.

4.3. Approval of Related Party Transactions:

4.2.1 Audit Committee

1. All the RPTs shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the company subject to the following conditions:
 - a. The Committee needs to justify the need of granting omnibus approval for its RPTs and their repetitiveness in the past/ future,
 - b. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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.
 - c. Where the need for RPTs cannot be foreseen and where the details of omnibus approval are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
 - d. Where the Audit Committee does not approve any RPT, it shall make recommendation to the Board for its approval.
2. The Audit Committee while granting omnibus approval shall be adopt the following criteria's:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year, will be 100 % of the annual turnover of the Company as per its last audited financial statements.
 - b. The Maximum value per RPT which can be approved under omnibus route will be same as per the materiality threshold as defined in the Policy i.e. 10% of the annual turnover of the company as per last audited financial statements of the company,
 - c. Extent and manner of disclosures to be made to the committee at the time of seeking omnibus approval;
 - d. The Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval 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.
3. The following transactions will not be subject to the omnibus approval of the Audit Committee but may be approved by the Committee as and when required:
- a. Transactions which are not at arm's length or not in the ordinary course of business;
 - b. Transactions which are not repetitive in nature;
 - c. Transactions exceeding materiality thresholds as laid down above;
 - d. Omnibus approval route does not applicable in case of selling or disposing off the undertakings of the Company;
 - e. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties;
 - f. Any other transaction the Audit Committee may deem not fit for omnibus approval.

Note: Where any RPT amounting to not more than rupee one crore is entered without the approval of Audit Committee, then RPT shall be ratified by the Committee within three months from the date of transaction. Otherwise, it shall be voidable at the option of the Committee. In case of RPT amounts to more than rupee one crore then it shall be ratified by the Board of the Company.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company or disclose the reason.
- ii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business or justify the need;
- iii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- iv. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
- v. Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.

4.2.2 Board of Directors

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also to be placed before the Board for its approval apart from approval of the Audit Committee:

- a. Transactions which may be in the ordinary course of business and at arm's length basis, but beyond value threshold as prescribed in the Act/ Listing Regulations and / or other parameters as per the policy determined by the Board from time to time;
- b. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval

4.2.3 Shareholders' Approval

1. Shareholders' approval shall be required for the following Transaction(s):
 - a. All the Material Related Party Transactions shall require approval of the shareholders through resolution.

- b. In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at arm's length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Rules, are placed before the shareholders for its approval.

However, the requirement of shareholders' approval shall not be applicable for transactions entered between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

4.2.4 No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

4.4. Disclosure of Related Party Transactions

- 4.4.1. Every material RPT entered into shall be disclosed to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- 4.4.2. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- 4.4.3. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
- 4.4.4. A register of Related Party Transactions shall be maintained as per the Companies Act, 2013 and placed before the Board and signed by all the directors present at the Meeting.

5. Related Party Transactions not approved under the Policy:

In the event the Company comes to know of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all the relevant facts & circumstances regarding the said transaction and shall evaluate all options available with the Company including revision, ratification or termination of the Related Party Transaction. The Committee shall also examine the reasons for not reporting the Related Party Transaction to the Committee and shall take any reasonable action in this regard as it deems appropriate.

In case the Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with the review of the

Related Party Transaction, the Committee has authority to modify/waive any procedural requirements of this Policy to the extent not in conflict with the requirement of law.

6. REVIEW

The Committee shall, as and when required, assess the adequacy of this Policy and make recommendation to the Board of any necessary or desirable amendments based upon changes brought about by the regulators or otherwise.