



MUTHOOTTU MINI FINANCIERS LTD

MATERIALITY POLICY & POLICY ON RELATED PARTY TRANSACTIONS

Reviewed in the Meeting of Board of Directors held on 12-11-2022

I. INTRODUCTION

Companies Act, 2013, Accounting Standards (AS-18) and SEBI regulations are primary regulations which provide for regulation of related party transactions of the Company. SEBI has mandated every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. Muthoottu Mini Financiers Limited (“the Company”) in conformity with its good standard of governance practices conducts its business in a fair and transparent manner duly complying with the applicable laws as in force.

II. OBJECTIVE

This Policy is intended to ensure due and timely identification, approvals, disclosure and reporting of transactions including the materiality of such transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

III. DEFINITIONS

“**Audit Committee**” or “**the Committee**” means the committee of Board of Directors of the Company constituted under the provisions of Regulation 18 of the SEBI (LODR) Regulations, 2015 read with Section 177 of the Companies Act, 2013;

“**Arms-length transaction** – means a transaction between two related party that is conducted as if they were unrelated so that there is no conflict of interest.

“**Board**” means Board of Directors of the Company;

“**Key Managerial Personnel**” “**KMP**” means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013 For the purpose of this policy definition of KMP as per Ind AS 24 will also be applicable.

“**Turnover**” means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the Company during a financial year. “Revenue from Operations” is considered as Turnover of the Company.

“**Material Related Party Transactions**” 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 of

the company as per the last audited financial statements of the company or Rs.1,000 Crores, whichever is less;

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

“Related Party” means related party as defined under Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2015 or under Ind AS 24 and:

- i Any person or entity forming part of the promoter or promoter group of the Company;
- ii. Any person or entity holding equity shares of 20% or more, (10% or more with effect from 01st April, 2023) in the Company, either directly or indirectly or on a beneficial interest basis (as per Section 89 of the Act) at any time during the immediate preceding financial year.

“Related Party Transaction” a means related party transaction as defined under Regulation 2(1)(zc) of the SEBI (LODR) Regulations, 2015;

“Relative” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.

All other words and expressions used but not defined in this policy, but defined in the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992, and SEBI (LODR) Regulations, 2015 and Ind AS 24 shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case maybe.

IV. POLICY:

All Related Party Transactions shall require prior approval of the Audit Committee comprising of a quorum of only Independent Directors being members of the said Committee approving the same. Such approval shall be only at a meeting of the Audit Committee and not by circulation.

All proposed Related Party Transactions and subsequent material modification of such Related Party Transaction must be presented before the Audit Committee for prior approval by the Independent Directors of the Committee.

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, and satisfy the arms-length basis the Committee may grant omnibus approval.

V. TRANSACTIONS THAT ARE CONSIDERED AS RELATED PARTY TRANSACTIONS:

Following types of the transactions considered as related party as per section 188 of Companies Act 2013:

- (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 or a Key Managerial Personnel in the company, its subsidiary company or associate company; and 6
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company.

Types of the transactions considered as related party transaction as per Reg. 2(1)(zc) of SEBI(LODR) Regulations, 2015

A transaction involving a transfer of resources, services or obligations between

- (i) A listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand
- (ii) A listed entity or any of its subsidiaries on one hand and any other person or entity on the other hand the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries with effect from April 01 2023

Regardless of whether a price is charged and a transaction with a related party shall be construed to include a single transaction or group of transactions in a contract.

As per and IND AS-24, of the Companies (Indian Accounting Standards) Rules, 2015 following are examples of transactions that are disclosed if they are with a related party:

- (a) Purchases or sales of goods (finished or unfinished);
- (b) Purchases or sales of property and other assets;
- (c) Rendering or receiving of services;
- (d) Leases;
- (e) Transfer of research and development;
- (f) Transfer under license agreements;
- (g) Transfer under finance arrangements (including loans and equity contribution in cash or in kind);
- (h) Provision of Guarantees and Collaterals;
- (i) Commitments to do something if a particular event occurs or not occur in the future, including executory contracts (recognized and unrecognized)
- (j) Settlement of liabilities on behalf of the entity or by the entity on behalf of that related party;
- (k) Management contracts including for deputation of employees.

Parties are considered to be related under IND AS 24, if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person's family is related to a company if that person:
 - a. has control or joint control or significant influence over the Company; or
 - b. is a key management personnel of the Company or of a parent of the Company;
2. An entity is related to a company if any of the following conditions applies:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - c. Both entities are joint ventures of the same third party; or
 - d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - e. The entity is controlled or jointly controlled by a person identified in (1); or
 - f. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity);

VI. TRANSACTIONS THAT ARE NOT CONSIDERED AS RELATED PARTY TRANSACTIONS:

The following transactions are not considered as Related Party Transactions

- a) The issue of specified securities on a preferential basis, subject to compliance of the requirements under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018
- b) The Corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding
 - (i) Payment of dividend;
 - (ii) Subdivision or consolidation of securities;
 - (iii) Issuance of securities by way of a rights issue or a bonus issue; and
 - (iv) Buy-back of securities

VII. IDENTIFICATION OF RELATED PARTIES AND INTERESTED DIRECTOR WITH RESPECT TO TRANSACTIONS:

Every Director/KMP will be responsible for providing a declaration in containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her Relative is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital as at the end of immediate preceding financial year;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions (other than advice, directions or instructions obtained from a person in professional capacity);
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity); and
7. Body Corporate or any Association of Individuals in which he / she or his / her Relative is a Director or owner or Partner or Promoter or Manager or Chief Executive Officer of Body Corporate or Member of the Association of Individuals.

VIII. APPROVAL BY AUDIT COMMITTEE:

Transactions that require prior approval of Audit Committee

- a) All Related Party Transactions and subsequent material modifications to such Related Party Transactions;
- b) Related Party Transactions to which subsidiary of MMFL(If any) is a party but MMFL is not a party shall require prior approval of Audit committee of MAFIL if the value of such transactions whether 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 MMFL;
- c) With effect from April 1, 2023 Related Party Transactions to which subsidiary of MMFL is a party but MMFL is not a party shall require prior approval of Audit committee of MMFL if the value of such transactions whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual standalone turnover as per the last audited financial statements of the Subsidiary.

Material Modification

Any material modification to the terms approved by the Audit Committee for the Related Party Transactions will require its prior approval. The following terms shall be considered as material terms in respect of every Related Party Transaction, except financial transactions:

- a. Substitution of the name of the Related Party arising due to succession, corporate restructuring, acquisition etc.
- b. Nature of goods or services
- c. Total value of the Related Party Transaction
- d. Period approved for Related Party Transaction
- e. Miscellaneous terms such as advance payable, warranty terms, credit period, interest payable on default in payment.

In respect of financial transactions like providing of loan, inter-corporate deposit:

- a. Substitution of the name of the Related Party arising due to succession, corporate restructuring, acquisition etc.
- b. Quantum of loan or inter-corporate deposit.
- c. Interest related terms including interest holiday, if any, security terms, if any
- d. Period
- e. Repayment terms

Information to be placed before Audit Committee:

The following information shall be placed before the Audit Committee of the Board of Directors to enable the independent directors who are members of the Audit Committee to consider and decide on the approval in respect of Related Party Transactions:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i) Details of the source of funds in connection with the proposed transaction;
 - ii) Where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;

- cost of funds and tenure

iii) Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

iv) The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the related party transactions.

- g. Justification as to why the Related Party Transaction is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed related party transaction, on a voluntary basis;
- j. Methodology used for determination of arms-length
- j. Any other information that may be relevant

The Audit Committee of the Board shall also review the status of long-term (more than one year) or recurring related party transactions on an annual basis.

Factors to be considered by the Audit Committee

While considering any related party transaction, the Committee shall also take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters as specified in the relevant applicable circulars issued by SEBI from time to time. Prior to the approval, the Committee may, inter-alia, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. Whether the transaction could be material or significant by value;
- c. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative options available, if any;
- d. Whether the Related Party Transaction includes any potential reputational risks or misuse of corporate assets that may arise as a result of or in connection with the proposed Transaction; and
- e. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial interest or benefit to the Director, Key Managerial Personnel or other Related Party concerned, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

f. While considering the arm's length nature of the transaction, the Committee may take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee may also take into consideration subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

Omnibus Approval

For granting omnibus approval, the committee shall specify the following details:

- a. Name of the related party;
- b. Nature of the transaction;
- c. Period of the transaction;
- d. Maximum amount of the transactions that can be entered into;
- e. Indicative base price / current contracted price and formula for variation in price, if any;
- f. Justification for the omnibus approval.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction for the specific period approved.

The Audit Committee shall, review quarterly and take note of all Related Party Transactions for which omnibus approval has been granted by the Audit Committee.

The omnibus approval shall be valid for a period of one financial year however subject to quarterly review and fresh approval shall be obtained after the expiry of one year.

IX. APPROVAL BY THE BOARD:

If the Committee determines that a Related Party Transaction should be brought before the Board or a Related Party Transaction is not in the Ordinary Course of Business or not at Arms' Length or is a material related party transaction or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting.

The Board shall take note of all transactions approved by the Audit committee

X. APPROVAL BY SHAREHOLDERS

The Board of Directors of the Company shall mandatorily place before the members of the Company, all Material RPTs and subsequent material modifications to existing RPT for their approval prior to undertaking such transactions.

Except with the prior approval of the Shareholders by a resolution, a company shall not enter into any RPTs as mandated under Section 188 of Companies Act, 2013 read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, material related party transactions and/or subsequent material modifications to related party transactions as Stipulated in Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

In all cases, where shareholders' approval is necessary for any RPT, the Company Secretary shall ensure that the agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- a. All the information provided by the management of the Company to the Audit Committee;
- b. Any other information that may be relevant

The Company Secretary shall ensure that the explanatory statement to be annexed to the notice of a general meeting convened for obtaining approval of members in relation to the proposed RPTs shall contain the following particulars:

- a. Summary of the information provided by the management of the Company to the Audit Committee;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details placed before the Audit Committee except the information on source of funds and cost of funds.
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

The Board shall be ultimately responsible for seeking approvals from shareholders as per the requirements of Applicable Laws which may vary from time to time.

XI. DISCLOSURE, RECORDING AND REPORTING OF RELATED PARTY TRANSACTIONS:

- a. Company shall disclose each year in the Audited Financial Statements transactions with Related Parties as prescribed in the applicable Accounting Standard as well as accounting policies governing transactions with Related Parties.
- b. Disclosure in the Board's Report to the shareholders shall be made as prescribed under Companies Act, 2013.
- c. Company shall submit along with publication of half yearly financial results, Standalone or Consolidated as may be applicable, disclosures of all RPTs, in the format specified by SEBI to the stock exchanges and publish the same on its website.
- d. The Company Secretary shall make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

XII. POLICY REVIEW:

Board shall review the overall policy once in three years and modify or update the same in accordance with the changes to the threshold limits or as may be required by the amendments to Applicable Laws.

XIII. AMENDMENT IN LAW:

Any subsequent amendment/modification/in the SEBI(Listing Obligations and Listing Requirements) Regulations 2015 and /or applicable laws in this regard shall automatically apply to this policy.
