

POLICY ON RELATED PARTY TRANSACTIONS

INTRODUCTION

Companies Act, 2013 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.

OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of 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.

DEFINITIONS

Related Party Transaction:

“Related Party Transaction” is a transfer of any resources, services or obligations between the Company and a related party, regardless of whether a price is charged. (A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract).

Related Party:

An entity is considered as related to the company, if:

- (i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable accounting standard.

{Under Section 2(76) of the Companies Act, 2013 “Related Party”, with reference to a company, means—

- a) a director or his relative;
- b) a key managerial personnel or his relative;
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager is a member or director;
- e) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;

f) any body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

g) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

h) any company which is—

i. a holding, subsidiary or an associate company of such company; or

ii. a subsidiary of a holding company to which it is also a subsidiary;

i) such other person as may be prescribed.

{Under Accounting Standard A “Related Party” is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) 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).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself

such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key Managerial Person: “Key Managerial Personnel”, in relation to a company, means—

(i) the Chief Executive Officer or the managing director or the manager;

(ii) the Company Secretary;

(iii) the whole-time director;

(iv) the Chief Financial Officer; and

(v) such other officer as may be prescribed.

Relative: “Relative” with reference to any person, means anyone who is related to another, if—

(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) one person is related to the other in such manner as may be prescribed.

of whether a price is charged.

IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The guidelines for identification of related party transactions is in accordance with Section 188 Companies Act and relevant rules prescribed thereunder and SEBI Listing Regulations. The Company will determine whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company will seek external expert opinion, if necessary.

TRANSACTIONS WITH APPROVAL OF AUDIT COMMITTEE

All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while considering the related party transactions for its approval.

A related party transaction which is a) not in the ordinary course of business, or b) not at arm’s length price, would require approval of the Board of Directors or of shareholders as the provided in this policy.

The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned in SEBI LODR and such

other conditions as it may consider necessary in line with this policy. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

Omnibus approval of the related party transaction shall specify

(i) name(s) of the related party, nature of transaction, period of transaction, amount 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 audit committee may deem fit;

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval.

TRANSACTION WITH APPROVAL OF BOARD OF DIRECTORS

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

TRANSACTION WITH APPROVAL OF SHAREHOLDERS

If a related party transaction is (i) a material transaction as per SEBI LODR, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain Thresholds prescribed under the Companies Act, 2013 and SEBI LODR, it shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is concerned related party shall not vote on resolution passed for approving such related party transaction.

The Company shall disclose, in the Board's report, transactions prescribed in Section 188 of the Act with related parties,

REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.