

## **Policy on Materiality of Related Party Transactions**

### **1. Introduction**

Mulamoottil Financiers Limited acknowledges the inherent complexities of Related Party Transactions, which have the potential to create conflicts of interest and raise questions regarding alignment with the Company's best interests and compliance with statutory mandates such as the Companies Act, 2013, and other applicable provisions, if any. This Policy is designed to meticulously govern transactions involving the Company and its Related Parties, ensuring strict adherence to applicable laws and regulations, while also delineating the threshold for materiality in related party transactions. The primary objective of this Policy is to fortify governance mechanisms and enhance transparency in the reporting of transactions between the Company and its Related Parties.

### **2. Definitions**

2.1) "Act" means the Companies Act, 2013.

2.2) "Regulation 23" means the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

2.3) "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.

2.4) "Material Related Party" will have the same meaning as defined in Regulation 23. A transaction with a related party shall be considered material 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.

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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

2.5) "Relative" will have the same meaning as defined under Section 2(77) of the Act and includes anyone who is related in any of the following manner:

- a. Members of a Hindu undivided family;
- b. Husband or 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).

2.6) "Related Party" shall have the same meaning as defined under Section 2(76) of the Act and/or Regulation 23. Related Party under Section 2(76) of the Companies Act, 2013, and the rules made thereunder are as follows:

(i) A Director or his relative

(ii) A key managerial personnel or his relative

(iii) A firm, in which a director, a manager or his relative is a partner

(iv) A private company in which a director or manager or his relative is a member or director (v) A public company in which a director and manager is a director and holds along with his relatives, more than two percent of its paid-up share capital.

(vi) Anybody 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.

(vii) 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;

(viii) Any body corporate which is –

- a) A holding, subsidiary or an associate company of such company; or
- b) A subsidiary of a holding company to which it is also a subsidiary or
- c) An investing company or the venturer of the company

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

(ix) Such other person as may be prescribed by Central Government.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

2.7) “Related Party Transaction” means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities Contract (Regulation) Act, 1956 or any other applicable regulation, as amended.

### **3. 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, the Committee may grant omnibus approval.

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction shall not vote to approve the relevant transaction. While considering

any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits to the Company and the related party, whether such transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction and any other relevant matters. 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.

### **Board of Directors**

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory for any law to approve the Related Party Transaction, then the Board shall consider and approve the related party transactions and the considerations aforesaid shall apply to the review and approval of the matter by the Board of Directors, with such modifications, as may be necessary and appropriate under the circumstances.

### **Decision regarding transaction in ‘Ordinary Course of Business’ and on ‘Arm’s Length Basis’**

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, after considering the materials placed before them, judge if the transaction is in the ordinary course of business or at arm’s length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide whether the transaction is in the ordinary course of business or at arm’s length basis or not. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

### **Transactions requiring Shareholders Approval**

All the Material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

All the transactions other than the Material Related Party Transactions, with the related parties which are not in the ordinary course of business or at arm’s length basis shall require the approval of the shareholders through appropriate resolution, (special resolution or ordinary resolution, as may be required under any law, in force from time to time) and the related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

#### 4. 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
- 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) 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;or
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);

#### **5. Related Party Transactions not covered under this Policy**

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

#### **6. Transactions covered under this Policy**

The related party transactions which are not covered by the provisions of the Companies Act, 2013 and/or Regulation 23, if any, will not be governed by this Policy.

#### **7. Policy Severable**

This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

#### **8. 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. The Company Secretary shall make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

#### **9. DISSEMINATION OF POLICY:**

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.

#### **10. 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.