



**JM FINANCIAL CREDIT SOLUTIONS LIMITED**

**POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

**JANUARY 2022**

## **POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

### **Background and Purpose**

JM Financial Credit Solutions Limited ('the Company') recognises that Related Party Transactions (as defined below) may present potential or actual conflict of interest and may pose questions whether such transactions are in the best interests of the Company and its members or not. This policy regarding the review and approval of Related Party Transactions has been formulated in compliance with the Companies Act 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and pursuant to the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("RBI Directions"). The Policy further sets forth the procedures for dealing with the Related Party Transactions including the process for their review and approval.

### **1. Definitions**

**"Act"** means Companies Act, 2013 including amendments, re-enactments, modifications, notifications, circulars and orders from time to time.

**"Listing Regulations"** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

**"Audit Committee" or "Committee"** means Audit Committee of the Company as constituted by the Board.

**"Board of Directors" or "Board"** means Board of Directors of the Company

**"Company"** means JM Financial Credit Solutions Limited;

**"Directors"** means Directors of the Company for the time being occupying the position as such.

**"Key Managerial Personnel" (KMP)** means:

- a. Chief Executive Officer or Managing Director;
- b. Whole-time Director;
- c. Chief Financial Officer;
- d. Company Secretary;
- e. Such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- f. Such other officer as may be prescribed, from time to time.

### **“Material Related Party Transaction”**

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company (*uptil March 31, 2022*)

A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 Crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower (*effective from April 1, 2022*)

**“Ministry”** means the Ministry of Corporate Affairs, India.

**“Policy”** means this Policy on dealing with Related Party Transactions.

**“Relative”** in reference to an individual means and includes:

- a. members of HUF
- b. Spouse
- c. Father including step-father
- d. Mother including step-mother
- e. Son including the step-son
- f. Son’s wife
- g. Daughter
- h. Daughter’s husband
- i. Brother including the step-brother
- j. Sister including the step-sister

**“Related Party”** means a person/entity which is a related party under Section 2(76) of the Companies Act, 2013 read with the rules framed thereunder or under the applicable accounting standards.

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 (*uptil March 31, 2022*)

Effective from April 1, 2022, provided that:

- a. any person or entity forming a part of the promoter or promoter group of the Company;  
or
- b. any person or any entity, holding equity shares:
  - i. of 20% or more; or
  - ii. of 10% or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:”

**“Related Party Transaction” ”**

- means a transfer of resources, services or obligations between the Company 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 (*uptil March 31, 2022*)
- *Effective April 1, 2022* means a transaction involving a transfer of resources, services or obligations between: (i) a Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand; or (ii) a Company 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 Company or any of its subsidiaries, with effect from April 1, 2023; 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.

Provided that the following shall not be a related party transaction:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b. the following 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.
- c. acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

## **2. Procedures**

This Policy will operate within the framework of the Act read with its rules, Listing Regulations and RBI Directions including amendments, modifications, re-enactments thereof including all notifications, circulars, orders, clarifications and directions issued from time to time.

### **A. Approval of Related Party Transaction**

#### ***Audit Committee Approval***

- All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company.
- Material modification, if any to the transaction to be determined and approved by the Audit Committee on case to case basis.

- *Effective April 1, 2022* all related party transactions to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.
- *With effect from April 1, 2023*, all related party transactions to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary of the Company;
- Following transactions shall not require prior approval of the audit committee:
  - i. Transactions entered into by the company with its wholly-owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
  - ii. *Effective April 1, 2022* Related Party Transactions to which the listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

### ***Omnibus Approval***

In terms of 177 of the Act and Regulation 23(3) of the Listing Regulations, the Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature. The criteria so laid down by the Audit Committee should be approved by the Board of Directors of the Company;
- b. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify (i) the name of the related party and nature of relationship (ii) nature, duration, maximum amount and particulars of transaction or contract or arrangement; (iii) 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;

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction.

- d. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

Undertaking shall mean an undertaking in which the investment of the company exceeds 20% of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates 20% of the total income of the company during the previous financial year;

- e. Audit Committee shall review the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given by it on a quarterly basis;
- f. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the financial year. However, the Audit Committee may grant omnibus approval for such other lesser period as may be specified by the Audit Committee and shall require fresh approval after its expiry.
- g. The requirement of taking omnibus approval is not applicable for transactions between the Company and its wholly-owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

***Information to be placed before the Audit Committee for granting approval to any related party transaction or for granting omnibus approval:***

The following information may be placed before the Audit Committee:

- Name of the Related Party and nature of relationship;
- Name of the director or Key Managerial Personnel, if any who is related;
- Nature, material terms and monetary value of the contract or arrangement along with justification;
- Any other information relevant or important for the members to take a decision on the proposed related party transaction.

***Factors to be considered by the Audit Committee while approving a related party transaction:***

- Whether the terms of related party transaction are fair and on arm's length basis;

- Whether the related party transaction is in the ordinary course of business of the Company or Related Party;
- Whether there are any compelling business reasons for the Company to enter into the related party transaction and the nature of alternative transactions, if any;
- Whether the related party transaction would affect the independence of an independent director, if any;
- Whether the related party transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company; and
- Any other factors the Audit Committee deems relevant.

## **B. Board of Directors Approval**

The Board of Directors of the Company shall be required to approve Related Party Transactions as are required to be approved by it in terms of Section 188 of the Act.

## **C. Members' Approval**

- Following transactions with related party, if not on arm's length and ordinary course of business, shall require approval of the shareholders of the Company:
  - i. sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
  - ii. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
  - iii. leasing of property any kind amounting to 10% or more of the turnover of the Company, as mentioned in clause (c) of sub-section (1) of section 188;
  - iv. availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Explanation:- The limits specified in clause (i) to (iv) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- v. appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

- All material related party transactions and subsequent material modifications to the transactions approved by the members shall require prior approval of the members of the Company.

The explanatory statement to be annexed to the notice of a general meeting convened to approve Material Related Party Transaction(s) shall inter alia contain the following particulars:

- Name of the related party;
- Name of the director or key managerial personnel who is related, if any;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of the contract or arrangement;
- Any other information relevant or important for the members to take a decision on the proposed resolution.

### **3. Exception to obtain the required approvals:**

The approval of the Board of Directors and the Members of the Company shall not be required for entering into the related party transactions as specified in Section 188 of the Act, if the transaction is in the ordinary course of business and at arm's length basis.

Also, the approval of the Members shall not be required for any Material Related Party Transaction to be entered between the Company and its wholly owned subsidiaries, if any, whose accounts are consolidated with the Company and placed before the Members at the general meeting.

*Effective April 1, 2022, prior approval of the Members of the Company shall not be required for a related party transaction to which the listed subsidiary of the Company is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.*

### **4. Policy Disclosure**

This Policy shall be disclosed on website of the Company and also in the Annual Report of the Company.

## **5. Amendment:**

The Company may amend this Policy as and when deemed fit. Any and all provisions of this Policy shall also be amended as required due to any regulatory changes from time to time.

In case any amendments, clarifications, circulars and guidelines, not being consistent with the provisions laid down under this Policy, then the provisions of such amendments, clarifications, circulars and the guidelines shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly effective from the date as laid down under such amendments, clarifications, circulars and guidelines.