



**MUTHOOT CAPITAL SERVICES LIMITED  
(MCSL)**

**CIN: L67120KL1994PLC007726**

**RELATED PARTY TRANSACTION POLICY**

**This Policy is approved by the Board of Directors at the meeting held on November 05, 2014 and reviewed on January 18, 2019, May 28, 2020, June 19, 2021 and May 17 2022**

**Version Control:**

<b>Sl. No.</b>	<b>Name of Policy</b>	<b>Version</b>	<b>Board approval date</b>	<b>Remarks</b>
1.	Related Party Transaction Policy	v1.0	05/11/2014	Policy document approved.
2.	Related Party Transaction Policy	v1.1	18/01/2019	Transfer pricing norms / mechanism for intra-group transactions were incorporated.
3.	Related Party Transaction Policy	v1.2	28/05/2020	Included clear threshold limits of related party transactions duly approved by the shareholders.
4.	Related Party Transaction Policy	v1.3	19/06/2021	Deleted three points from exemptions clause.
5.	Related Party Transaction Policy	v2.0	17/05/2022	Amendments in line with SEBI (LODR) (Sixth Amendment) Regulations, 2021.

## RELATED PARTY TRANSACTION POLICY

### 1. BACKGROUND

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015 provide for various regulations which govern the related party transactions of a Company which has listed its securities in the Stock Exchanges. Regulation 23 (1) of the SEBI (LODR) Regulations, 2015 requires a Company to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

In light of the above requirements, Muthoot Capital Services Limited has framed this Policy on Related Party Transactions ("Policy").

### 2. OBJECTIVE

This Policy is framed to ensure the proper conduct, documentation, approval and reporting of transactions between the Company and its related parties. Provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related parties. Further, this Policy shall be reviewed by the Board at least once in every three years and updated accordingly.

This Policy is effective from October 01, 2014.

### 3. DEFINITIONS

- (a) **"Audit Committee"** means Committee of Board of Directors of Muthoot Capital Services Limited constituted under Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI (LODR) Regulations, 2015.
- (b) **"Arm's Length Price"** means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.
- (c) **"Board"** means Board of Directors of Muthoot Capital Services Limited.
- (d) **"Company"** shall mean Muthoot Capital Services Limited, a Company incorporated under the provisions of Companies Act, 1956 and having its Registered Office at 3<sup>rd</sup> Floor, Muthoot Towers, M.G. Road, Kochi.
- (e) **"Key Managerial Personnel"** means Key Managerial Personnel as defined under Section 2 (51) of the Companies Act, 2013 and includes:
  - i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
  - ii) Company Secretary;
  - iii) Chief Financial Officer and

- iv) such other officer as may be prescribed.
- (f) **"Material Modifications"** means any modification or amendment to the related party agreement / transaction which is likely to result in a 20% upward or downward revision in the original contractual value of the related party agreement / transaction approved by the Audit Committee.
- (g) **"Material Related Party Transaction"** shall have the same meaning as defined in Regulation 23 of the SEBI (LODR) Regulations, 2015.
- (h) **"Relative"** in relation to a related party shall have the same meaning assigned to in Section 2 (77) of the Companies Act, 2013.
- (i) **"Related party"** with reference to the Company shall have the same meaning as defined under Section 2 (76) of the Companies Act, 2013 read with Regulation 2 (1) (zb) of the SEBI (LODR) Regulations, 2015.
- (j) **"Related Party Transactions"** shall have the same meaning as defined under Regulation 2 (1) (zb) of the SEBI (LODR) Regulations, 2015 or as envisaged in Section 188 (1) of the Companies Act, 2013. Provided that the following shall not be as related party transaction:
  - i) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - ii) the following corporate actions by the listed entity which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
    - a) payment of dividend;
    - b) subdivision or consolidation of securities;
    - c) issuance of securities by way of a rights issue or a bonus issue; and
    - d) buy-back of securities.
  - iii) 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 SEBI:
  - iv) any other transactions that may be specifically exempted by the SEBI or any other applicable regulator from time to time.
- (k) **"Transaction"** with a related party shall be construed to include a single transaction or a group of transactions in a contract.

- (l) Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI (LODR) Regulations, 2015, Securities Contract Regulation Act, 1956 or any other applicable law or regulation.

Reference and reliance may be placed on any clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and any other Authorities from time to time on the interpretation of any of the terms defined hereinabove.

#### **4. APPROVALS REQUIRED FOR RELATED PARTY TRANSACTIONS**

##### **A. Approval of the Audit Committee**

- i) All related party transactions and subsequent material modifications shall require prior approval of Audit Committee of the Company.
- ii) Only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.
- iii) A related party transaction 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.
- iv) With effect from April 01, 2023, a related party transaction 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 listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the Company.
- v) Prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15 (2) of the SEBI (LODR) Regulations, 2015 are applicable to such listed subsidiary.

For such transactions, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

##### **B. Omnibus Approval from the Audit Committee**

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 the Policy on related party transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;

- b) the Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- c) the omnibus approval shall specify:
  - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction 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 the Audit Committee may deem fit.

Where the need for related party transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- d) the Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given;
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of such period.

#### **C. Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of the Companies Act, 2013, all transactions specified therein which are not in the ordinary course of business or not at arm's length basis, shall be placed before the Board for its approval.

#### **D. Approval of the Shareholders of the Company**

- All material related party transactions and subsequent material modifications thereof shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- All transactions specified under Section 188 of the Companies Act, 2013 which:
  - a) are not in the ordinary course of business or not at arm's length basis; and
  - b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014;

shall be placed before the Shareholders for their approval.



## **5. PROCEDURE FOR AUDIT COMMITTEE'S APPROVAL**

The Audit Committee shall be provided with the details of each existing or proposed related party transaction that it has not previously approved or rejected, including the following details:

- (a) the terms of the transaction;
- (b) the business purpose of the transaction;
- (c) the details of the related parties; and
- (d) the benefits to the Company and the related parties.

Any member of the Audit Committee who is interested in the related party transaction shall not vote to approve the resolutions. In connection with the review of a related party transaction, the Committee shall consider, among other factors it deems appropriate, whether the related party transaction is on terms not less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction.

## **6. REVIEW PROCEDURE**

The statement of related party transactions shall be submitted to the Audit Committee and the Board, on a quarterly basis, for review. Such statement shall include the following:

- (a) The details of all related party transactions entered into by the Company during the specific quarter;
- (b) The status of related party transactions undertaken as per the approval of the Shareholders of the Company;
- (c) The status of related party transactions undertaken as per the Omnibus Approval of the Audit Committee.

## **7. DISCLOSURE**

- a) The compliance with this policy shall be disclosed to stock exchanges on a quarterly basis through the Compliance Report on Corporate Governance.
- b) The Company shall disclose this policy on dealing with Related Party Transactions on its website.
- c) The Company shall, along with the Board's Report placed before the shareholders in the Annual General Meeting, include a statement in Form AOC-2 containing the particulars of contracts or arrangements with related parties as referred to in Section 188 (1) of the Companies Act, 2013.

- d) The Company shall submit to the stock exchanges disclosures of related party transactions on a half yearly basis in the format as specified by SEBI from time to time and publish the same on the website of the Company.

## **8. TRANSFER PRICING NORMS / MECHANISM FOR INTRA - GROUP TRANSACTIONS**

Transfer pricing refers to the pricing strategy in play when there is transfer of goods/services between associated enterprises. Transfer pricing law aims to ensure that transactions between associated enterprises does not happen at an unreasonably favourable or controlled price.

In case of any intra-group transactions taking place with any group companies, the Company will follow the "Transfer Pricing Laws" enumerated under the Income Tax Act and rules made thereunder. Any income/expense in relation to a transaction with any related parties should be computed using the arm's-length pricing principle.

## **9. REGISTERS**

The Company shall maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately, the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.

The Company shall maintain such register in the Head Office of the Company and provide extracts from such register to a member of the Company on his request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

This register shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

## **10. MATERIALITY THRESHOLD LIMITS**

The threshold limits for identifying the material related party transactions shall be as follows:

- a) Rs. 10,00,00,00,000/- (Rupees One Thousand Crores) or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, for all other related party transaction to be entered into, individually or taken together with the previous transactions during the financial year.
- b) 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements for related party transaction involving payments made / to be made to any Related Party with respect to brand usage or royalty.



**11.CONFLICT IN POLICY**

In the event of a conflict between this Policy and the extant regulations or laws (as may be amended, replaced, restated, from time to time), the relevant provisions contained in the regulations and laws on the date of the transaction shall prevail over this Policy.

**12.POLICY REVIEW**

The Related Party Transactions Policy of the Company shall be reviewed by the Audit Committee at least once in every three years and may propose amendments, if any to the Board of Directors of the Company for its approval.

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