



**JM FINANCIAL CAPITAL LIMITED**  
**POLICY ON DEALING WITH RELATED**  
**PARTY TRANSACTIONS**  
**JANUARY 2021**

## Background and Purpose

JM Financial Capital 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 and rules made there under, 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.

**"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 Capital Limited;

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

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

- a. The Chief Executive Officer or Managing Director or the Manager;
- b. Whole-time Director;
- c. The Chief Financial Officer;
- d. The 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"** means any related party transaction as specified in Section 188 of the Act being contracts or arrangements with value (taken individually or together with previous transactions during the financial year) exceeding limits as prescribed in Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended read with Section 188 of the Act.

**"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 Act read with the rules framed thereunder

**“Related Party Transaction”** shall mean any transaction or contract or arrangement with Related party with respect to:

- 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 in the company, its subsidiary company or associate company; and
- g. underwriting the subscription of any securities or derivatives thereof, of the company;

## **2. Procedures**

This Policy will operate within the framework of the Act read with its rules 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 the transactions with Related Party shall require approval of the Audit Committee, in accordance with the provisions of Section 177 of the Act. However, 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 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.

***Information to be placed before the Audit Committee for granting approval any to 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; and
- 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;
- 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 Director of the Company shall require to approve Related Party Transactions as are required to be approved by it in terms of the Act.

***C. Members' Approval***

The approval of the Members of the shall be obtained in accordance with the provisions of the Companies Act, 2013 read with the Rules framed thereunder

The explanatory statement to be annexed to the notice of a general meeting convened to approve a 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 whose accounts are consolidated with the Company and placed before the Members at the general meeting.

**4. Policy Disclosures**

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