

**JMJ FINANCE LIMITED**

**POLICY ON RELATED PARTY TRANSACTION**

**(As approved on 11/06/2020)**

## **Scope and Purpose of the Policy**

Related Party Transactions (“RPTs”) can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“the Act”) read with the Rules framed there under and RBI directions, JMJ FINANCE LIMITED (“the company” or “JMJ”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

## **Definition**

The term Related Party shall have the meaning assigned to it under Section 2(76) of the companies Act 2013 and/or other applicable laws.

Any term which is not defined or explained in this policy shall have the meaning primarily assigned to it under the Companies Act 2013 and secondarily, under other applicable laws.

## **Manner of dealing with Related Party Transactions**

### **1. Identification of related parties**

JMJ FINANCE LIMITED shall identify Related Parties as per the definition provided in the Companies Act 2013 and other applicable laws, regulations and norms amended from time to time by concerned authorities.

The Company shall regularly verify and update the Related Party List and review and confirm (at least once a year) in accordance with the applicable laws as prevalent.

### **2. Identification of related party transactions**

As a policy, JMJ FINANCE LIMITED will identify the transactions falling under contracts and arrangements, as per the applicable laws, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as may be applicable.

JMJ FINANCE LIMITED shall report the transactions of aforementioned category entered into with related parties identified as per this Policy, and put the same for necessary approvals required as per the applicable laws.

### **3. Procedure for approval of Related Party transactions**

#### **Approval of the Audit Committee**

All Related Party transactions (falling within the meaning of the definition under Companies Act 2013 and other laws applicable to the Company and is related party transaction in all aspects) require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the conditions stipulated under the Act read with the Rules and applicable laws, including the following:

- Omnibus approval may be granted in line with this Policy and such approval shall only be applicable in respect of transactions which are repetitive in nature.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company
- The omnibus approval shall specify –
  - a. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions, in aggregate, that can be entered into in a year, maximum value per transaction which can be allowed.
  - b. the indicative base price / current contracted price and the formula/criteria for variation in the price if any.
  - c. transactions which cannot be subject to the omnibus approval by the Audit Committee and
  - d. such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding the amount specified in applicable laws.

- The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given;
- Such omnibus approvals shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of such financial year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Value and quantum of transaction;
- Reports on market analysis, industry trends, business strategies, financial forecasts, etc.;
- Report/data on competitor activities, third party comparable, price publications including stock exchange and reputed agencies;
- Management assessment of pricing terms and business justification for the proposed transaction;
- Comparative analysis, if any, of other such transaction entered into by the company.

In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

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

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary and may if the Audit Committee or Board so requires, seek external professional opinion to determine whether a Related Party Transaction is in the Ordinary Course of Business and/ or at Arms' Length.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution related to such contract or arrangement.

### **4. Related Party Transactions not approved under this Policy**

4.1 In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

4.2 Any transaction which was not approved by audit committee, but identified at a later stage as related party transaction requiring its approval, the committee may ratify the same within 3 months from the date of the transaction or such period prescribed under the applicable laws. Such transaction will be voidable at the option of the Audit Committee, and if the transaction is with a related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

4.3 In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

4.4 Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a related party to any Director, or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

4.5 Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

## **5. Materiality limits**

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 ten percentage of the annual consolidated turnover of the Company as per last audited financial statements of the Company, or such other threshold as may be prescribed under the Companies Act 2013 or any other applicable laws.

## **6. Shareholder's approval**

All material related party transactions shall require 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.

## **7. Transactions in the normal course of business**

“Related party transaction” (requiring specific approval under the policy) shall not cover any transactions undertaken in the normal course of business of the Company. Normal course of business shall mean any transaction undertaken by the Company or its officers/Directors (related to main business of the Company undertaken on day-to-day basis ie.NBFC business of granting loans, accepting funds etc) with any person on the same terms and conditions it would have taken place with its customers/stakeholders. Whether a transaction is undertaken in the normal course of business shall be determined by analysing the transaction details, parties involved, the context of the transaction, industrial practices, terms and conditions and relevant sections of applicable laws. A transaction to be called as a transaction taking place in the normal course of business should not possess characteristics entirely distinct from day to day transactions undertaken/to be undertaken by the Company.

## **8. Overriding effect**

Where due to change of laws or for any other reason, the policy or any part of it becomes inconsistent with applicable laws, then that particular portion of the policy shall become invalid and the provisions of applicable laws shall apply accordingly.

## **9. Compliance under other laws**

Where other laws need to be complied by the Company in connection with related party transactions, then the Company shall ensure that the Company complies with all such laws, in addition to compliances under Companies Act 2013.

Approved

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