



**RELATED PARTY
TRANSACTION POLICY
Version-1.0**

RELATED PARTY TRANSACTION POLICY

1. BACKGROUND

Manibhavnam Home Finance India Private Limited (hereinafter referred to as the “**Company**” or “**MBHF**”) conducts itself with highest standard of integrity and has always endeavored to follow both letter and spirit of the law. Related party transactions can present a potential or actual conflict of interest which may be against the best interest of MBHF and its shareholders. MBHF does not promote any transaction which may be at variance with the established principles of Corporate Governance or which do not meet the highest standard of ethics or integrity.

In terms of the provisions of Section 188 of the Companies Act, 2013, the Company is required to follow the procedure as prescribed for conducting the Related Party Transactions. Also, Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 has prescribed that Housing Finance Companies (HFCs) should evolve a Related Party Transaction Policy (the “**Policy**”) and disclose the same in the annual report and its website.

2. SCOPE & OBJECTIVES

2.1 Policy Objective

The Policy intends to define a governance framework for proper approval and reporting of transactions between the Company and its Related Parties. This Policy has been framed with the objective of ensuring compliance with the provisions pertaining to Related Party Transactions in the Companies Act, 2013, the Rules made thereunder or applicable Accounting Standards issued by the Institute of Chartered Accountants of India (“**ICAI**”) and the applicable provisions of the Master Direction - Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (the “**Master Directions**”). The present Policy is designed with an objective to regulate transactions with related parties and ensure adequate systems and procedures to address potential conflict of interest and compliance with the provisions of the Companies Act, 2013. This Policy seeks to serve the following objectives:

- To regulate and control related party transactions as intended under the Companies Act, 2013 or the Master Directions;
- To ensure that there is a proper system of approval for related party transactions;
- To ensure disclosure of the related party transactions entered between the Company and its related parties;
- To ensure transparency regarding such transactions; and
- To improve corporate governance by providing required disclosures of related party transactions.

2.2 Review of Policy

The Policy shall be reviewed periodically on such gaps as considered necessary by the Audit Committee of the Board and whenever required under the applicable directions, rules and regulations.

2.3 Policy Approval

The Board of Directors or the Audit Committee of the Board may review and may amend this Policy, as and when required by the applicable laws, rules and regulations.

3. POLICY STANDARDS

All Related Party Transactions should be reported to the Audit Committee and referred for approval to the relevant authorities in accordance with this Policy.

4. DEFINITIONS

4.1.1 “Act” means the Companies Act, 2013 and rules made thereunder and includes any amendment or modification thereof.

4.1.2 “Arms’ 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.

4.1.3 “Audit Committee or Committee” means a committee of the Board of Directors of the Company constituted under provisions of the Reserve Bank of India’s Directions and the Companies Act, 2013.

4.1.4 “Board” means the Board of Directors of the Company constituted under provisions of the Companies Act, 2013.

4.1.5 “Company” means Manibhavnam Home Finance India Private Limited.

4.1.6 “Key Managerial Personnel or “KMP” means key managerial personnel as defined under the Companies Act, 2013 and includes

- i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
- ii) Chief Financial Officer; and
- iii) Company Secretary.

4.1.7 “Material Related Party Transaction” means 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 or such limits as may be prescribed either in the Act or other applicable regulatory directions, from time to time. Provided that in case of any amendment to the Act or applicable directions, rules and regulations, definition of Material Related Party Transaction will be deemed to be changed without any further approval of the Audit Committee or the Board.

4.1.8 “Related Party”, with reference to a company, means –

- i) as defined under Section 2(76) of the Act read with Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014, means-
 - a) a Director or his relatives;
 - b) a KMP or his relative;
 - c) a firm, in which a director, manager or his relative is a partner;
 - d) a private company in which a director or manager or his relative is a member or

- director;
- e) a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital,
 - f) any body 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;
 - g) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clause (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;

- h) any body corporate which is-
 - i. holding, subsidiary or an associate company of such company;
 - ii. a subsidiary of a holding company to which it is also a subsidiary; or
 - iii. an investing company or the venturer of the company
- i) a director (other than an independent director) or KMP of the holding company or his relative
- ii) Such entity is a related party under the applicable Accounting Standards issued by the ICAI

4.1.9 “**Related Party Transaction**” shall mean all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/ or applicable Accounting Standards issued by the ICAI.

4.1.10 “**Relative**” as defined under Section 2 (77) of the Act read with Rule 4 of the Companies (Specifications of Definitions Details) Rules, 2014 with reference to any person, means any one who is related to another, if-

- i) they are members of a Hindu Undivided Family;
- ii) they are husband and wife; or
- iii) one person is related to the other in the following manner:
 - i. Father, including step-father;
 - ii. Mother, including step-mother;
 - iii. Son, including step-son;
 - iv. Son’s wife;
 - v. Daughter;
 - vi. Daughter’s husband;
 - vii. Brother, including step-brother;
 - viii. Sister, including step-sister.

5. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

- 5.1 Every Director and KMP shall, at the time of appointment, annually and whenever there is any change in the information already submitted, provide requisite information in, Form MBP-1, about all persons, firms, entities in which he is interested whether directly or indirectly, to the Company Secretary.
- 5.2 For identification of the Related Parties, a list of Related Parties (“RP”) will be prepared based on the intimations received from the Directors/ KMPs or changes in management or shareholding structure from time to time. The updated RP list will be shared with all relevant functions and shall be referred for monitoring of the transactions and ensuring compliance at their end.
- 5.3 Each Director and KMP shall be responsible for providing notice to the Board or the Audit Committee, of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board or the Audit Committee may reasonably request. The Board or the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- 5.4 Identify the Ordinary Course of Business in relation to Company.
- 5.5 The Directors and KMP of the Company shall endeavor to intimate such notice of any potential Related Party Transaction well in advance so that the Audit Committee or the Board has adequate time to obtain and review information about the proposed transaction. All Related Party Transactions for the period will be placed for approval/ noting / ratification by the Board or the Audit Committee, in accordance with this Policy. To review a Related Party Transaction, the Board or the Audit Committee will be provided with all the relevant information as mentioned in the Act pertaining to the Related Party Transaction, including the name of the Related Party, the nature of the relationship, nature of the transaction, whether the transaction is in the ‘Ordinary Course of Business’, whether the transaction is at ‘Arm’s Length’ and any other matter, as may be required.

6. APPROVING AUTHORITIES

- 6.1 **Audit Committee:** Any transaction or any subsequent modification of transactions of the Company with Related party shall require the approval of the Audit Committee at a meeting of the Audit Committee or by circulation.
- 6.2 **Board of Directors:** All “Related Party Transactions which are not in the Ordinary Course of Business or not at Arm’s Length” shall require the prior approval of the Board at a meeting of the Board and cannot be passed by circulation.
- 6.3 **Shareholders:** All “Related Party Transactions which are not in the Ordinary Course of Business or not at Arms’ Length” and exceeding the prescribed criteria under Section 188 of the Act, shall require prior approval of the shareholders of the Company by means of an ordinary resolution passed at a General Meeting.

7. PRIOR APPROVAL REQUIRED FOR RELATED PARTY TRANSACTIONS AND OMNIBUS APPROVAL

All Related Party Transactions defined/ stipulated under the Act shall require prior approval from the Audit Committee. For any ratification or exception, parameters mentioned in this Policy shall be followed.

The Audit Committee may grant omnibus approval, on an annual basis, 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 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/s of the Related Party, nature of transaction, period of transaction, maximum value of the transaction, in aggregate that can 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;
- d) The omnibus approval shall be valid for one year as per rule 6A of the Companies (Meeting of Board and its Power) Rules, 2014.

Provided that 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 Rs.1 crore per transaction.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company and/or any other transaction the Audit Committee may deem not fit for omnibus approval.

Additionally, other Related Party Transactions prescribed under the applicable Accounting Standards issued by the ICAI shall be presented to the Audit Committee for its review and noting.

8. ORDINARY COURSE OF BUSINESS

The phrase "Ordinary Course of Business" has not been defined under the Act or Rules made thereunder. However, the Company will adopt a reasonable approach/ methodology to demonstrate 'Ordinary Course of Business' which shall, *inter alia*, include the nature of the transaction, the frequency / regularity / length of time the Company is engaged such transaction, or transactions permitted by the Object Clause in the Memorandum of Association of the Company or such transaction/ action is consistent with the past practices and was taken in the ordinary course of the normal day-to-day operations of the Company, common commercial practice i.e. customarily taken, in the ordinary course of the normal day-to-day operations of other companies that is in the same / similar line of business.

9. ARM'S LENGTH PRICING

For transactions between two related parties to be considered to be at Arm's Length Pricing, the transaction should be conducted between the two parties as if the parties were unrelated, so that there is no conflict of interest i.e. Arm's Length Pricing is the condition or the fact that the two related parties transact as independent (un-related) parties and on an equal footing from one or more of the following aspects viz. nature of goods/ services, risk assumed, assets/ resources employed, key terms/ covenants.

10. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Related Party Transactions will be referred to the next regularly scheduled meeting of the Audit Committee for review /noting and/ or approval as above. Any member of the Committee who has a potential interest in any Related Party Transaction will disclose his or her interest before

discussion and/ or voting on the approval of the Related Party Transaction. In the event the management determines that it is impractical or undesirable to wait until a meeting of the Committee for the approval of a Related Party Transaction, due to business exigency or otherwise, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy subject to applicable statutory provisions of the Act for the time being in force and as amended from time to time. Every such transaction as approved through resolution passed by circulation shall be placed within three months from the date of transaction at the Audit Committee meeting for ratification.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction as required under the Act, including the terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee may consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b) 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;
- c) Whether the Related Party Transaction would affect the independence of an independent director;
- d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- f) Whether the Related Party Transaction would present an improper conflict of interest for any Director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ or the Audit Committee deems relevant.

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 under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary. Further, the Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered by the Company pursuant to each of the omnibus approval given.

11. NOTWITHSTANDING THE FOREGOING, THE FOLLOWING RELATED PARTY TRANSACTIONS SHALL NOT REQUIRE APPROVAL OF THE AUDIT COMMITTEE:

- i) Any transaction that involves the providing of compensation to a Director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii) Any transaction in which the Related Party's interest arises solely from ownership of

securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

12. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider the relevant facts and circumstances regarding the Related Party Transaction and failure to report the Related Party Transaction. The Audit Committee, while deciding on the matter, shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction and shall take any such action it deems appropriate including immediate discontinuation or rescission of the transaction. The Audit Committee, while considering a Related Party Transaction, will have authority to modify or waive any procedural requirements of this Policy subject to compliance of applicable statutory provisions for the time being in force.

13. INTERNAL PROCESS FRAMEWORK

The Company shall institute an appropriate internal process framework to ensure requisite approvals/ noting of all Related Party Transactions to comply with this Policy.

14. COMMUNICATION TO ALL THE DIRECTORS AND CONCERNED EMPLOYEES

The relevant aspects of this Policy will be communicated to all the Directors and concerned employees/ officials of the Company.