

RELATED PARTY TRANSACTION POLICY

Preamble:

The Board of Directors (the “Board”) of Madura Micro Finance Limited (the “Company”), has adopted the following policy and procedures (“Policy”) with regard to Related Party Transactions as defined below.

This policy may be amended by the Company from time to time and is subject to all laws and regulations applicable to the Company from time to time.

I. Objective

This Policy is formulated, in accordance with the requirement of Companies Act, 2013 and Revised Regulatory Framework for Non-Banking Financial Companies by Reserve Bank of India (Regulatory Framework) (including any statutory enactments/amendments thereof) and is intended to ensure proper approval and reporting of Related Party Transactions between the Company and its Related Parties. In addition the Company is also required to define the materiality of Related Party Transactions. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

II. Definitions

- “Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of the Companies Act, 2013.
- “Board” means the Board of Directors of the Company.
- “Key Managerial Personnel” or “KMP” shall have the meaning referred to in the Companies Act, 2013.
- “Material Related Party Transaction” means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds such limit of the annual turnover / revenue of the Company or Net worth of the Company as per the last audited financial statements of the Company as prescribed under the Companies Act, 2013 in force from time to time.
- “Ordinary Course of Business” means transactions that are necessary, normal and incidental to the business, the objects of the Company permit such activity, there is a historical practice and pattern of frequency (not an isolated transaction), has connection with the normal business carried on by the Company.
- “Related Party” means, an entity is:
 - (i) a related party under Section 2(76) of the Companies Act, 2013; or
 - (ii) a related party under the applicable accounting standards.
- “Related Party Transaction” means any transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged.

- “Relative” means relative as defined under the Companies Act, 2013. Words and expressions used in this Policy shall have the same meanings respectively assigned to them in the following acts / regulations / rules.

- (a) The Companies Act, 2013 or the rules framed thereon;
- (b) RBI Act, 1934 and regulations and rules made thereon.

III. General Guideline

All Related Party Transactions must be reported to the Audit Committee and referred by the Audit Committee to the Board for approval in accordance with this Policy.

All Material Related Party Transactions which are neither at arm’s length nor in the ordinary course of business, shall require approval of the shareholders through a special resolution and those Related Parties to the contract / transaction of the Company shall abstain from voting on such resolutions only if they are interested in that particular Material Related Party Transaction.

Provided however that the Transactions entered into between the Company and a wholly owned subsidiary of the Company where the accounts of the subsidiary are consolidated with the Company and approved by the shareholders at a general meeting shall not require approval of either Audit Committee or the shareholders.

IV. Identification of Related Party Transactions

Each Director and “KMP” and other Related Party shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in a Related Party Transactions, by providing notice to the Board or Audit Committee of any potential Related Party Transactions involving him or her or his or her Relative together with additional information about the Related Party Transactions that the Board or Audit Committee reasonably request.

The Company prefers that notice of any Related Party Transactions is given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed Related Party Transactions.

The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a Related Party Transactions requiring compliance with this Policy.

V. Review and approval of Related Party Transactions

All Related Party Transactions shall require approval of Audit Committee;

The Audit Committee, in order to review a Related Party Transaction, shall be provided with all relevant material information of the Related Party Transactions, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;

Any member of the Audit Committee who has an interest in any Related Party Transactions shall recuse himself or herself and abstain from discussion and voting on the approval of such Related Party Transactions;

VI. Criteria for approving Related Party Transactions

In determining whether to approve a Related Party Transaction, the Audit Committee shall consider the following factors, among others, to the extent relevant to the Related Party Transactions:

- Whether the terms of the Related Party Transactions 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;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transactions and the nature of alternative transactions, if any;
- Whether the Related Party Transactions would affect the independence of an independent director;
- Whether the proposed Related Party Transactions includes any potential reputational risk issues that may arise as a result of or in connection with the proposed Related Party Transactions;
- Whether subsequent ratification of the proposed Related Party Transactions is allowed and would be detrimental to the Company; and
- Whether the Related Party Transactions 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, KMP 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 Audit Committee deems relevant;
- If the Audit Committee determines that a Related Party Transactions should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transactions, 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 or appropriate under the circumstances.

VII. Related Party Transactions that do not require prior Audit Committee review

The Audit Committee shall also be entitled to grant omnibus approval for a class of transactions which are repetitive in nature as per the procedure specified for approving Related Party Transactions in this Policy.

In addition to the criteria specified in the paragraph above, the Audit Committee shall be required to specify in the Omnibus Approval:

- (i) Name(s) of the Related Party, nature, period of transaction and maximum amount of the proposed Related Party Transactions.
- (ii) the indicative base price/current contracted price and the formula for variation in the price if any.
- (iii) and such other conditions as the Audit Committee may deem fit.

(iv) In the event the need for a class of Related Party Transactions cannot be foreseen or the details specified in (i) to (iii) above are not available, the Audit Committee may grant Omnibus approval for such Related Party Transactions provided each transaction does not exceed 1,00,00,000/- (Rupees One Crore).

Audit Committee shall review, the details of actual Related Party Transactions entered into by the Company pursuant to each of the Omnibus Approvals on a quarterly basis.

The Omnibus Approvals shall be valid for a period not exceeding one year and shall require fresh approvals from the Audit Committee after the expiry of 1 (one) year from the grant of each approval.

VIII. 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 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.

In any case, where the Audit Committee determines not to ratify a related party transaction 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 related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.