

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY FOR RELATED PARTY TRANSACTIONS

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

I. PREAMBLE

The Companies Act, 2013 ('Act') read with the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time ('Rules') introduced specific provisions connected with Related Party Transactions and have laid down the financial limits and the approval process for such transactions.

In addition, the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('NBFC Master Directions') specifies the requirement of having in place, a policy on dealing with Related Party Transactions.

Accordingly, the Board of Directors (Board) of Microfirm Capital Private Limited ("Company" or "MCPL") has adopted a Policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Act, the Rules and the NBFC Master Directions.

This Policy was considered and approved by the Board at its Meeting held on 14 February 2022 to be effective from 14 February 2022.

All the department(s)/team(s) of the Company shall adhere to the principles and guidelines specified in the Policy below for recognition, measurement and disclosure of Related Party Transactions.

II. OBJECTIVE

In its endeavor to ensure due and proper compliance with the applicable provisions and to ensure that proper procedure is defined and followed for approval / ratification and reporting of transactions as applicable, between the Company and its Related Parties, this Policy has been adopted by the Company's Board of Directors. The provisions of this Policy are designed to govern the transparency of approval process and disclosure requirements to ensure fairness in the conduct of Related Party Transactions, in terms of the applicable laws.

The Policy and procedures have been designed to achieve due and timely compliance with the statutory requirements governing Related Party Transactions by ensuring that:

- i. Related Parties are identified;
- ii. Related Party Transactions are evaluated;
- iii. Necessary approvals are obtained;
- iv. Related Party Transactions are appropriately recorded; and
- v. Proper disclosures of the Policy and the Related Party Transactions are made including disclosure of all transactions in the Annual Financial Statements.

III. DEFINITIONS & EXPLANATIONS

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY FOR RELATED PARTY TRANSACTIONS

Please refer to Annexure – A.

IV. POLICY

A. Approval of Audit Committee

- i. Prior approval of the Audit Committee shall be required for all Related Party Transactions, and subsequent modifications thereto, entered into by the Company with its Related Parties;
- ii. The Audit Committee may make omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to such conditions as provided in point D(2)(iii) below.
- iii. If the Audit Committee does not approve a transaction, other than the Related Party Transactions referred to in Section 188 requiring Board / Shareholders' approval, the Audit Committee shall make its recommendations to the Board.
- iv. If a transaction not exceeding Rs. 1 crore is entered into with a Related Party without the prior approval of the Audit Committee and such transaction is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee. In the event, if the transaction is with a Related Party to a director or is authorized by another director, such director shall indemnify the Company against any loss incurred by it for entering into such transaction without the Audit Committee approval.
- v. Transaction between the Company and its wholly owned subsidiary will not require approval of the Audit Committee unless such transaction requires approval of Board/Shareholders, as the case may be under Section 188 of the Act.

B. Approval of the Board of Directors

All Related Party Transactions listed under section 188 of the Act entered into by the Company that are:

- not in the ordinary course of business, or
 - in the ordinary course of business but not at arms' length or
 - neither in the ordinary course of business nor at arms' length
- shall require the prior approval of the Board of Directors at a Meeting of the Board.

Note: The approval of the Board will be not required if the transaction is entered into with the entities mentioned under sub-point (8) of point (iii) of Annexure – A to the Policy.

C. Approval of Shareholders

Related Party Transactions, as provided in Section 188 of the Act which are not in the Ordinary Course of Business or not executed at an arm's length basis, exceeding the threshold limits as may be prescribed under the Act and the Rules made thereunder shall be subject to prior approval of shareholders of the Company by way of a resolution.

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY FOR RELATED PARTY TRANSACTIONS

Approval of Shareholders of the Company will not be required for the transactions entered into with the wholly owned subsidiaries whose accounts are consolidated with the Company.

Note: The approval of the shareholders will be not required if the transaction is entered into with the entities mentioned under sub-point (8) of point (iii) of Annexure – A to the Policy.

D. Process for approval

1. The Audit Committee will determine, in line with this Policy, whether the transaction submitted to it does, in fact, constitute a Related Party Transaction, requiring compliance under this Policy.
2. Review and Approval of Related Party Transactions
 - i. Any director, who is interested in any Related Party Transaction, shall disclose the nature of his concern or interest at the meeting of the Board / Audit Committee in which the transaction is discussed in accordance with Section 184(2) of the Act read with circulars issued thereunder and then participate in the meeting.
 - ii. To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms and conditions of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, competitive quotes from third parties and any such other information required to be placed as per prevailing statute or reasonably required to decide whether such transaction is Related Party Transaction or not including any additional information about the transaction that the Audit Committee may reasonably request.
 - iii. In determining whether to approve a Related Party Transaction, the Audit Committee may consider giving omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
 - a) The Audit Committee shall, after obtaining approval of the Board of Directors, 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.
 - 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 the transaction, period of transaction, maximum amount of transaction 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;

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY FOR RELATED PARTY TRANSACTIONS

- d) Where the need for Related Party Transactions 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.
 - e) The Audit Committee shall review, the details of the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given as and when the Audit Committee meeting is held by the Company.
 - f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.
- iv. If the Board determines that a Related Party Transaction should be brought before the Shareholders or it is mandatory under any law for the Shareholders to approve such Related Party Transaction, then the Chairman of the Board will ensure obtaining requisite prior approval of the Shareholders.
- v. Notwithstanding the foregoing, payment / reimbursement of expenses to a director or key managerial personnel incurred pursuant to the performance of duties and discharge of obligations in connection with the business and operations of the Company shall not require approval of the Audit Committee or Board or Shareholders.

V. REVIEW BY THE AUDIT COMMITTEE

This Policy shall be reviewed by the Audit Committee on periodic basis and if required, changes shall be made in the light of the latest requirement and applicable legislation. The said recommendations of the Audit Committee shall be presented to the Board for approval.

VI. VIOLATION OF THE POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be reviewed by the Audit Committee / Board / Shareholders as follows:

- a. The Audit Committee or Board or Shareholders, as the case may be, will consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification within 3 months of the date of the contract or arrangement, whether ratification should be allowed and if ratified whether it would be beneficial or detrimental to the Company, revision or termination of the Related Party Transaction including the facts and circumstances of failure to obtain approval / report such Related Party Transaction to the Audit Committee or the Board or Shareholders under this Policy and take such action as deemed appropriate. In case, such contract or arrangement is not so ratified, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the Shareholders.

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY FOR RELATED PARTY TRANSACTIONS

- b. It shall be open to the Company to proceed against a director or any other employee who had entered into such a contract or arrangement in contravention of the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.
- c. Where the Audit Committee or Board, as the case may be, determines not to ratify a Related Party Transaction that has been commenced without approval, it may direct such additional actions including, but not limited to, immediate cancellation of such transaction or recovery action against a director or key managerial personnel who had entered in to such contract or arrangement in contravention of the provisions of the Act.
- d. Any director or any other employee of a Company, who had entered into or authorized the contract or arrangement in violation of the provisions of the Act shall be subject to such proceedings as specified under the relevant law.
- e. If such contract or arrangement is with a Related Party with reference to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

VII. DISCLOSURE OF RELATED PARTY TRANSACTION

- 1. The details of Related Party Transactions shall be disclosed in the Annual report of the Company and other regulatory bodies as per the provisions of applicable accounting standards, the Act or any other applicable laws.
- 2. This Policy shall be uploaded on the Company's website, if any.
- 3. This Policy will be communicated to all operational employees and other concerned persons of the Company in order to ensure compliance with the requirements of the applicable laws.
- 4. The Company shall keep and maintain a register, either physically or electronically giving separately the particulars of all contracts or arrangements to which section 188 of the Act applies in accordance with the provisions of the Act.

ANNEXURE – A

DEFINITIONS AND EXPLANATIONS

i. Ordinary Course of Business

Ordinary course of business shall include the usual transactions, customs and practices of the Company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income / revenue / turnover of the Company as opposed to "income from other sources".

ii. Policy

Policy means this Related Party Transactions Policy.

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY FOR RELATED PARTY TRANSACTIONS

iii. Related Party under Section 2(76) of the Act

With reference to the Company, Related Party means:

- 1) A director or his relative
- 2) Key Managerial Personnel or his/ her relative
- 3) A firm, in which a director, manager or his relative is a partner
- 4) A private company in which a director or manager or his relatives is a member or director
- 5) A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- 6) A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except such advice is given in a professional capacity
- 7) Any person on whose advice, directions or instructions a director or manager is accustomed to act, except such advice is given in a professional capacity
- 8) Any body corporate which is:
 - (a) A holding, subsidiary or an associate company of the Company;
 - (b) A subsidiary of a holding company to which it is also a subsidiary; or
 - (c) An investing company or the venturer of the Company
- 9) A director, other than an Independent Director, or key managerial personnel of the holding company or his relative.

iv. Related Party Transaction

(i) Under Section 177 of the Act

Any transaction with a Related Party shall be considered as a Related Party Transaction.

(ii) Under Section 188 of the Act

Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- appointment of a person to any office or place of profit in the Company, its subsidiary company or associate company;
- under writing the subscription of any securities or derivatives thereof of the Company

(iii) Arms' length transaction - Section 188 (1)

The expression "arm's 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.

MICROFIRM CAPITAL PRIVATE LIMITED
POLICY FOR RELATED PARTY TRANSACTIONS

(iv) Office or place of profit - Section 188 (1)

Office or place of profit means any office or place of profit:

- (i) is held by **a director**, if the director holding it receives from the company anything by way of remuneration, over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) is held by **an individual** other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

v. Material Related Party Transactions under the Act

Threshold limits as may be prescribed under the Companies Act 2013 and the Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Act or any other applicable law.