

Margo Finance Limited Related Party Transactions - Policy & Procedures

Introduction

Section 188 of the Companies Act, 2013 read with rules 15 and 16 of Companies (Meetings of Board and its Powers) Rules, 2014 and the Clause 49 of the Listing Agreement requires every Listed Company to establish a Policy on materiality and dealing with Related Party Transactions.

Accordingly, to ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements this policy has been adopted by Board of Directors of Margo Finance to define the procedures by which Related Party Transactions must be reported, reviewed, approved and managed.

Scope and purpose of the policy

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions. The Audit Committee will review and may amend the policy as and when required subject to approval of the Board.

The objective of this policy is to regulate transactions between the Company and its Related Parties as determined based on the Companies Act, 2013, Listing Agreement and any other laws and regulations as may be applicable to the Company.

Definitions

“Act” means the Companies Act, 2013 including any amendment or modification thereof.

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated.

“Associate” means a Company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

“Audit Committee” means the Committee of the Board formed under section 177 of the Act and Clause 49(III) of the Listing Agreement.

“Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.

“Clause 49” means the Clause 49 of the Listing Agreement, as entered into by the Company with the stock exchanges including any amendment or modification thereof.

“Company” means Margo Finance Limited.

“Director” means a person as defined in Section 2(34) of the Companies Act, 2013.

“Employees” shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.

“Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder.

“Material Related Party Transactions” shall mean a transaction as defined as material in Clause 49(VII)(C) of the Listing Agreement or any other law or regulation including any amendment or modification thereof, as may be applicable.

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

“Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

“Meaning of Related Party”:

A ‘related party’ is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a Company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. has control or joint control or significant influence over the company; or
 - c. is a key management personnel of the Company or of a parent of the Company; or
2. An entity is related to a Company if any of the following conditions applies:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. The entity and the company are members of the same group (which means that each parent, Subsidiary and fellow subsidiary is related to the others); or
 - c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - d. Both entities are joint ventures of the same third party; or
 - e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
 - g. The entity is controlled or jointly controlled by a person identified in (1).
 - h. A person identified in (1) (b) has significant influence over the entity (or of a parent of the entity); or

Explanation:

The term “control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 which means “control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their

shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;

“related party”, under Section 2(76) of the Companies Act, 2013, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) 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;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any company which is—

(A) a holding, subsidiary or an associate company of such company; or

(B) a subsidiary of a holding company to which it is also a subsidiary;

(ix) such other person as may be prescribed;

“Related Party Transactions” shall mean such transactions as specific under Section 188 of the Act or rules made thereunder and Clause 49(VII)(A) of the Listing Agreement including any amendment or modification thereof, as may be applicable.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contract Regulation Act or any other applicable law or regulation.

Related party transactions under the policy

Any transfer of resources, services or obligations between the company and a related party, would get covered as a **‘Related Party Transaction’**, whether or not, there is an element of consideration or price.

Prohibited Related party transactions

Any transaction with a Related Party can be undertaken only if it is in compliance with the law.

Dealing in Related Party Transactions:-

No Related Party Transaction can be entered into unless approved by the Audit Committee and the Board of Directors of Margo Finance.

Except for the transactions entered into by the Company in its ordinary course of business on arms length, no contract or arrangement with related party shall be entered into except with the prior approval of the Company by a special resolution 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:

All material Related Party Transactions not covered under a to g mentioned above shall also require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

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 five percent of the annual turnover or twenty percent of the net worth of the Company as per the last audited financial statements of the company, whichever is higher.

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.

Disclosure by Directors/ KMPs

A. Disclosure of interests

- All Directors/KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Company Secretary of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register in the prescribed form.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.
- Details of all material transactions with related parties shall be disclosed, quarterly in the

Compliance Report on Corporate Governance, as required under listing agreement.

B. Disclosure of Related Party Transaction entered with the Company

Each Director and KMPs of the Company is responsible for providing declaration/notice in the prescribed Form to the Company Secretary about Related Party Transaction involving the Company and him or her or an entity wherein he/she or his/her relative is interested, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary in consultation with the management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Guiding Principles for approval of a Related Party Transaction by the Board/Audit Committee thereof

To review a Related Party Transaction, the Board/Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other

matter, as may be required. In determining whether approval needs to be accorded to a Related Party Transaction, the Board/Audit Committee will consider the following factors:

- Whether the terms of the Related Party Transaction are fair 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 Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- 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 interest of the Director,, KMP or other Related Party, the direct or indirect nature of the Director, KMP or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

In case the Board/ Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/ Audit Committee has authority to modify or waive any procedural requirements of this Policy.

Consequences of non-compliance of such policy for any Related party transaction

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the employee. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under Companies Act, Listing Agreement, Securities Contract Regulation Act, 1956 or the employee standing order of the Company.