



MIDLAND MICROFIN LIMITED

Related Party Transaction Policy

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1. SCOPE AND PURPOSE OF THE POLICY

Related party transactions 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 Reserve Bank of India Master Direction (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, Indian Accounting Standards and the Companies Act, 2013 (“Act”) read with the Rules framed there under. In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

3.1 “Act” means the Companies Act, 2013

3.2 “Company” means Midland Microfin Limited

3.3 “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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “

3.4 “Turnover” has been defined as the aggregate value of the realisation of the amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for the Company the ‘Total Income’, i.e., total of interest income and other income, is considered as the ‘turnover’.

3.5 “Key Managerial Personnel” means KMP as defined under the Companies Act, 2013.

3.6 “Control” means control as defined in Section 2(27) of the Companies Act, 2013 and includes the right to appoint majority of 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 right or shareholders agreement or voting agreement or in any manner.

3.7 “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 Companies Act, 2013 and/ or as mentioned in the Indian Accounting Standards issued by the Ministry of Corporate Affairs and guidance notes given by the Institution of Chartered Accountants of India (ICAI).

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Indian Accounting Standard and RBI Regulations, as applicable to the company.

4. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

4.1 Approval of the Audit Committee

Each director and Key Managerial Personnel are responsible for providing notice to 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 Audit Committee may reasonably request. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

Any member of the Committee who has a potential interest in any related party transaction will recuse himself and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length terms, would require approval of the Board of Directors or of shareholders as discussed subsequently.

The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to certain criteria/conditions as required under Companies Rules, 2014, if any, and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for one financial year.

Such omnibus approval shall specify (i) the name/s of the related party, nature of 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, (iii) maximum value of transactions, in aggregate, which can be under the omnibus route in a financial year and (iv) such other conditions as the Audit Committee may deem appropriate.

Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval.

Following transactions shall not be subject to omnibus approvals:

- i. Selling or disposing of the undertaking of the Company.
- ii. Transactions which are not in the ordinary course of business or not on arm's length basis.

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

A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel 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.

4.2 Approval of the Board of Directors of the Company

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length terms, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to the transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will recuse themselves and abstain from discussion and voting on the approval of the related party transaction.

4.3. Approval of the Shareholders of the Company

All the transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are to be placed before the shareholders for their approval.

It shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is concerned related party shall not vote on resolution passed for approving such related party transactions.

4.4. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party 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 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 Committee under this Policy and shall take any such action it deems appropriate.

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

5. REPORTING OF RELATED PARTY TRANSACTIONS

REPORTING TO BOARD OF DIRECTORS

Statement of related party transaction as approved by the Audit Committee will be placed before the immediate next Board meeting after the Audit Committee meeting for their record and reference and any direction by Board of Directors will be followed by the Audit Committee.

REPORTING TO SHAREHOLDERS

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

6. APPROVAL OF THE PRIVATE EQUITY INVESTORS

The Company shall take the prior approval of the Investors (Kitara PIIN 1501 and ICICI Bank) before entering into any Related Party transactions in excess of INR 5 crores on cumulative basis in a Financial Year other than personal guarantees given on behalf of Company for the business of the Company and other than the salaries, if any, paid/ to be paid to the related parties;

The Company shall inform each Investor at least fifteen (15) Business Days prior to the occurrence of any of the events set forth in Amended and Restated Shareholders' Agreement dated May 31, 2023 to consider or pass such transaction. In case of exigencies, the said time period of fifteen (15) Business Days can be further reduced to a shorter period with the consent of the Investor, which consent shall not be unreasonably withheld.

7. DISCLOSURE OF THE POLICY

This Policy shall be uploaded in the website of the Company at <http://midlandmicrofin.com>.

This Policy will also be communicated to all operational employees and other concerned persons of the Company.

8. RESPONSIBILITIES OF THE FUNCTION UNDER THIS POLICY

A. Approval of the Audit Committee

- The Accounts & Finance Department, HR Department, Directors, Key Managerial Personnel and Senior Management shall notify the Company Secretary of potential Related Party Transactions along with certain minimum information required to be disclosed in terms of extent norms.
- The Company Secretary shall call the Meeting of Audit Committee and the Audit Committee will review and approve all identified related party transactions.
- Company Secretary upon information of non-omnibus transactions which are not pre-approved by the Audit Committee from the Accounts Department, HR Department, Directors, Key Managerial Personnel and Senior Management shall notify the Audit Committee for the ratification of transactions. The Audit Committee may take appropriate action for unapproved transactions.

B. Approval of Investors

Prior approval from investors is required for Related Party Transactions exceeding INR 5 crores. Notification to investors must precede such transactions. The same will be arranged by the Accounts & Finance Department or the KMP authorized on this behalf.

C. REPORTING OF RELATED PARTY TRANSACTIONS

Audit Committee-approved transactions will be presented at the immediate next Board meeting by the Company Secretary.

9. REVIEW OF THE POLICY

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Audit Committee, and such changes shall be submitted for approval by the Board.