

MUKESH BABU FINANCIAL SERVICES LIMITED

Policy on dealing with Related Party Transactions

(Updated on 30th April, 2025)

I. Background

Mukesh Babu Financial Services Limited (“the Company”) is governed, amongst others, by the rules and regulations framed by Securities Exchange Board of India (“SEBI”). SEBI has mandated every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

Accordingly, the Company has formulated this policy (Policy) on dealing with Related Party Transactions. This Policy regulates all transactions between the Company and its Related Parties (as defined below).

The Policy will be reviewed at least once every three years and is subject to amendments recommended by the Audit Committee from time to time.

II. Purpose

This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] (“SEBI LODR”) and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure and reporting of transactions entered or to be entered between the Company and any of its Related Parties.

III. Scope & Inclusion

This policy sets definition of materiality of related party transactions and dealing with related party transactions.

IV. Definitions

“Act” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“Arm’s length basis”: In terms of the Companies Act, 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.

A transaction with a related party will be considered to be on arm’s length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if

they would have been undertaken with unrelated parties.

It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with related party transaction requirements under Companies Act, 2013 and Regulation 23 of the Securities and Exchanges Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by applicable regulations, accounting standards, regulatory guidelines etc.

“Associate company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

“Joint venture” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“Material modifications” shall mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

“Material related party transaction” as per Regulation 23 means a transaction/transactions with a related party to be entered into individually or taken together with previous transactions during a financial year, that exceeds Rs.1,000 Crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company, whichever is lower.

“Related Party” means related party as defined under Regulation 2(1) (zb) of SEBI LODR, Section 2(76) of the Companies Act, 2013 and the rules framed thereunder or under the applicable Indian accounting standards:

Provided that:

- a) any person or entity forming a part of the promoter or promoter group (including entities over which the promoter or promoter group may have control or significant influence) irrespective of their shareholding or

- b) any person/entity holding equity shares in the listed entity, either directly or on a beneficial interest basis at any time during the immediately preceding financial year of 10% or more.

“Related Party Transaction or transaction (“RPT)”: A related party transaction means a transaction involving a transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

However, the following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the listed entity which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every 6th (sixth months) to the stock exchange(s), in the format as specified by the Board.

“Significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“Subsidiary company” or **“subsidiary”**, in relation to any other company (that is to say the holding company), means a company in which the holding company:

- i. Controls the composition of the Board of Directors; or
- ii. Exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation—for the purposes of this clause:

- i. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company
- ii. the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- iii. the expression “company” includes any body corporate;
- iv. “layer” in relation to a holding company means its subsidiary or subsidiaries;

“Total share capital” means the aggregate of the paid-up equity share capital and convertible preference share capital.

“Turnover” has been defined as the aggregate value of the realisation of amount made from 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 ‘turnover’ will be considered as the ‘Total Income’.

“Ordinary Course of Business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business.

The following factors are indicative of a transaction being in the ordinary course of business:

- a. the transaction is normal or otherwise unremarkable for the business
- b. the transaction is frequent/regular
- c. the transaction is a source of income for the business
- d. the transactions that are part of the standard industry practice, even though the Company may not have done it in the past.

These are not exhaustive criteria and the Company will have to assess each transaction, considering its specific nature and circumstances.

Some examples for Ordinary course of business are –

- i. expenses towards infrastructure sharing
- ii. investment transactions
- iii. banking transactions

“SEBI LODR”: Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

V. Identification of Related Party Transactions

Every director, key managerial personnel and promoters shall at the beginning of the financial year provide information by way of written notice to the company regarding their concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy.

Directors are also required to provide information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy. Every director, key managerial personnel and promoters shall also be required to immediately intimate (within not more than 7 days) to the Company Secretary, any change (addition or deletion) to previously provided disclosure of concern or interest in any entity or list of relatives. Company Secretary shall be responsible for maintaining updated list of Related Party.

The Company will identify potential transactions with Related Parties based on written notices of concern or interests received from its Directors / Key Managerial Personnel/ Promoters in the manner prescribed in the Companies Act, 2013 and the rules thereunder.

VI. Approval of related party transactions

A. Audit Committee

- i. All the transactions which are identified as related party transactions and subsequent material modification should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all the relevant factors as provided in Regulation 23 of SEBI LODR, as amended from time to time to the policy while deliberating the related party transactions for its approval.
- ii. a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual consolidated turnover, as per the last audited financial statements of the Company;
- iii. with effect from April 1, 2023, a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten per cent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

- iv. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.
- v. 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 Regulation 23 and Chapter XII, rule 6A of Companies (Meetings of Board and its Powers) Rules, 2014 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.
- vi. Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of this regulation.
- vii. 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. The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
 - a. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - b. the transaction is not material in terms of the provisions of this regulation;
 - c. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - d. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of this regulation;
 - e. any other condition as specified by the audit committee:
- viii. The failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

ix. Approval by Circulation of Resolution by the Committee

In the events if the Company management determines that it is impractical or undesirable to wait for holding a meeting of Committee to enter into a related party transaction, such transaction may be approved by the Committee by way of circulation in accordance with this policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

B. Board of Directors

Under the Act, the consent of the board of directors is required, by a resolution at a meeting of the Board, for entering into related party transactions within the thresholds specified in Section 188 of the Act and which are (i) not in the ordinary course of business, or (ii) not at an arm's length price.

In case any related party transactions are referred by the Company to the Board for its approval, 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 transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction. The Company shall further disclose any conflict of interests to the Board for their management and control.

C. Shareholders

If a related party transaction is (i) a material transaction as per Regulation 23 and subsequent material modifications or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under section 188 of the Act or SEBI LODR, it shall require prior approval of the shareholders through resolution by providing the disclosures as mentioned in Regulation 23 of SEBI LODR, as amended from time to time and no related party shall vote to approve such resolutions whether the entity, is a related party to the particular transaction or not.

However, transactions entered into between a holding company and its wholly owned subsidiary, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; do not require approval of shareholders.

VII. Reporting of Related Party Transactions

The Act, Indian Accounting standard 24 and Regulation 23 place the following reporting requirements on an entity, which should be duly complied with by the Company:

- i. a note on transactions with related parties, along with the pricing justifications to be placed at the Audit Committee every quarter for its review, in compliance with the requirements of sections 177 and 188 of the Companies Act, 2013 as amended from time to time;
- ii. disclosure of related parties and transaction with related parties as per Ind AS 24 in the notes to account forming part of Financials of the Company;
- iii. every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, to be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement;
- iv. the details of material transactions with related parties to be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis;
- v. reporting of details of material contracts or arrangements or transactions in Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2 to be filed with registrar of companies. In this regard, since materiality has not been defined for this purpose under the Act, the same threshold limits will be used as defined under the Act for transactions requiring shareholders' approval;
- vi. The Company shall submit information related to RPTs to the stock exchanges every six months, in the format specified by the SEBI LODR; simultaneously with the publication of financials and also publish the same on its website.

However, the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure provided that the same is not material in terms of the provisions of sub- regulation (1) of SEBI LODR.

- vii. The Company shall disclose policy on dealing with Related Party Transactions on its website

VIII. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.)

IX. Policy Review

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the SEBI LODR.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors. Provided that this Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.