

POLICY ON MATERIALITY OF RELATED PARTY AND MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS.

1.INTRODUCTION AND BACKGROUND

Chemmanur Credits and Investments Limited (the "Company" or "CCIL") recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stakeholders' interests.

2.OBJECTIVE

The objective of the policy is to frame and formulate operational guidelines facilitating the following operations relating to the business of the Company in respect of Related Party Transactions.

- i. lending
- ii. investments
- iii. availing of loans
- iv. NCD investments
- v. Subordinated Debt investments
- vi. other business transactions

3. TITLE AND COMMENCEMENT

This policy will be known as the “**Related Party Transaction (RPT) Policy**” of CCIL.

4. IMPORTANT DEFINITIONS

(i) Related Party :-

Related party, with reference to a company, 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 or his relative is a member or Director ;
- v. A Public Company in which a Director or Manager is a Director and holds along with his relatives, more than two percent 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 instruction of a Director or Manager;
- vii. Any person on whose advice, direction 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;

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- viii. Any Body Corporate which is
- A) a holding, subsidiary or an associate company of such company
 - B) a subsidiary of a holding company to which it is also a subsidiary
 - C) an investing company or the venturer of the Company

For the purpose of this clause, “the investing Company or the venturer of a Company” means a Body Corporate whose investment in the company would result in the Company becoming an Associate Company of the Body Corporate.

- ix. And such other entity which is a related party as provided under the applicable accounting standards

As per SEBI (LODR) Regulation, 2015, ‘related party’ includes the following:

- a) any person or entity forming a part of the promoter or promoter group of the Company
- b) any person or any entity, holding 20% or more equity shares of the Company and w.e.f. 1st April 2023, 10% or more equity shares of the company, at any time during the immediate preceding Financial Year.

(ii) Related Party Transaction

“**Related Party Transactions**” shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (“Listing Regulations”) or as envisaged in Section 188(1) of the Companies Act, 2013.

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) any other transactions that may be specifically exempted by the SEBI or any other applicable regulator from time to time.

(iii) Material Related Party transactions means:-

- A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated

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turnover of the Company as per the last audited financial statements or such sum or limit as may be prescribed under the Listing Regulations whichever is lower.

- A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

CCIL being a Financial Institution, Total Income shall be considered as turnover for arriving at Material Related Party Transaction threshold.

(iv) Audit Committee

‘Audit Committee’ or the ‘Committee’ means the Committee of the Board of Directors of the company constituted under the Companies Act 2013 or its earlier enactment.

(v) Board

“Board” means Board of Directors of the Company.

(vi) Key Managerial Personnel means;

- i. Managing Director & Chief Executive Officer, Executive Directors and Directors in the whole time employment of the company
- ii. Chief Financial Officer
- iii. Company Secretary.
- iv. And any other person as may be prescribed by the Central Government and to be applicable to the company.

(vii) Relative

Relative with reference to any person means anyone who is related to another, if-

- (a) they are members of a Hindu Undivided Family
- (b) they are husband and wife
- (c) Father : Provided that the term “Father” includes step-father
- (d) Mother : Provided that the term “Mother” includes step-mother
- (e) Son : Provided that the term “Son” includes step-son
- (f) Son’s wife
- (g) Daughter
- (h) Daughter’s husband
- (i) Brother : Provided that the term “Brother” includes step-brother
- (j) Sister : Provided that the term “Sister” includes step-sister

(viii) Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

5. POLICY

- All Related Party Transaction(s) shall be entered on arm's length basis.
- All Related Party Transactions must be reported to the Audit Committee and referred for review and recommendation by the Committee, to the Board for its approval in accordance with this Policy.

6. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

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

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

7. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

- i. Company will entertain only such transactions which are in the interest or beneficial to the company and are at arm's length.
- ii. Related Party Transactions and subsequent material modifications therein, shall require prior approval of the Audit Committee of the Company.
- iii. All the related party transactions other than the remuneration/ compensation to any Director or Key Managerial Personnel in connection with the discharge of his or her duties in the company, its holding, subsidiary or associate company including the reimbursement of reasonable expense towards travel, boarding and lodging, other perquisites or benefits as per the terms of employment or contract of service or as per the tradition or practice or pursuant to any provision of any statute and shall require the prior approval of the board after the review and recommendation by the Audit Committee.
- iv. The approval of the Board for a transaction shall be by means of a resolution passed at its meeting.

“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.

8. MANNER OF DEALING WITH MATERIAL RELATED PARTY TRANSACTIONS

- i. Company may enter into any material related party transactions as defined in this policy only with the prior approval of the shareholders by way of a resolution passed either at a meeting of the shareholders or by way of a postal ballot in accordance with the applicable provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and the Rules made thereunder.

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- ii. Any proposal for a material related party transaction shall be reviewed by the Audit Committee and recommend to the board before putting it up to the shareholders for approval.
- iii. The related party shall not cast votes on the resolution in which he is interested.

9. INDEPENDENT DIRECTORS AND RELATED PARTY TRANSACTIONS

A person shall not be considered for the purpose of appointment or continuing as an Independent Director of the company if he has or had material pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors during the two immediately preceding financial years or during the current financial year apart from receiving Directors remuneration.

10. PARENT & ASSOCIATE COMPANIES

- i. All related party transactions with the Parent company & its associates require the prior approval of the Audit Committee and the board.
- ii. The company may enter into a transaction with its Parent company & its associates if they are urgent in nature and have to be undertaken in between two scheduled Board /Audit Committee meetings and in such case the same shall be approved by resolution by circulation and the same shall be taken note of at the next Board / Committee meetings with all relevant particulars.

11. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

While considering any related party transaction, the Audit Committee shall take into account all relevant facts and circumstances 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 Committee who has a potential interest in any Related Party Transaction will refuse himself or herself from attending the meeting and abstain from the discussion and voting on the approval of the Related Party Transaction.

The Audit Committee shall be provided with all relevant material information of the Related Party Transaction. In addition while reviewing the transactions, the Committee shall be entitled to call for additional information or opinions of expertise at the cost of the company and also to demand for the attendance of any officer or other employee of the company.

Prior to the approval, the Committee may, inter-alia, consider the following factors to the extent relevant to the transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and in the ordinary course of business
- ii. Whether the Related Party Transaction would affect the independence of an Independent Director;
- iii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

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- iv. While considering the arm's length nature of the transaction, the Committee may take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee may also take into consideration subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry which may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.
- v. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial interest or benefit to the Director, Key Managerial Personnel or other Related Party concerned, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval. For granting omnibus approval, the Committee shall specify the following details:

- a. Name of the related party;
- b. Nature of the transaction;
- c. Period of the transaction;
- d. Maximum amount of the transactions that can be entered into;
- e. Indicative base price / current contracted price and formula for variation in price, if any;
- f. Justification for the omnibus approval.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction for the specific period approved.

The omnibus approval shall be valid for a period of one financial year and fresh approval shall be obtained after the expiry of one year.

12. MANNER OF DEALING WITH ESCAPED TRANSACTIONS.

Where 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 Committee. The 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 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 or submit their recommendation to the Board.

13. DISCLOSURE AND RECORDING OF RELATED PARTY TRANSACTIONS:

- a. Company shall disclose each year in the Audited Financial Statements transactions with Related Parties as prescribed in the applicable Accounting Standard as well as accounting policies governing transactions with Related Parties.

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b. Disclosure in the Board's Report to the shareholders shall be made as prescribed under Companies Act, 2013.

c. The Company Secretary shall make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

14. AMENDMENT TO THE POLICY

The policy may be updated or modified in accordance with the changes to the threshold limits or as may be required by the amendments to the applicable laws and regulations with the approval of Board of Directors.

15. COMMUNICATION OF THE POLICY

This Policy will be published on the website of the company and a link will be provided in the annual report of the company. The publication on the website will constitute a notice to all to whom it is applicable.

16. EFFECTIVE DATE AND APPLICABILITY

The policy shall be effective from the date of approval of the policy by the Board.
