

INDBANK MERCHANT BANKING SERVICES LIMITED

POLICY ON MATERIALITY OF RELATED PARTY POLICIES AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Preface

The Board of Directors (**the “Board”**) of Indbank Merchant Banking Services Ltd.(IBMBS Ltd.) (**the “Company”**), has adopted the following policy and procedures with regard to Related Party Transactions as defined below in accordance with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 entered into with the Stock Exchanges - National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE), - as part of Corporate Governance. The Audit Committee of the Board will review and may amend this policy from time to time.

The policy has been formulated to regulate transactions between the Company and its Related Parties based on the laws and guidelines applicable to the Company.

2. Objective

Securities and Exchange Board of India vide circulars No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 and circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014, amended Clause 49 of Listing Agreement, effective from October 01, 2014. The policy is framed as per requirements of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. Such transactions shall be appropriate only, if they are in the best interest of the Company and its stakeholders. The policy comes into force with immediate effect and shall be applicable to all transactions made with Related Parties as defined hereinafter.

3. Definitions

“Arm’s length transaction”	“Arm’s length transaction” means a transaction as defined under the Companies Act, 2013, between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
“Associate”	“Associate” means an enterprise in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.
“Audit Committee or Committee” (ACB)	“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted in pursuance of the directives of Companies Act 2013 and provisions of Listing Agreement.

“Board”	“Board” means Board of Directors of the Company constituted in terms of Section 2 (20) of the Companies Act 2013.
“Control”	“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
“Joint Venture”	“Joint Venture” means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.
“Key Managerial Personnel” (KMP)	“Key Managerial Personnel” means, (i) Chief Executive Officer or the Managing Director or the manager; (ii) Company Secretary; (iii) President and / or Whole-time director; (iv) Chief Financial Officer; and (v) such other officer/s as may be prescribed.
“Material Related Party Transaction”	“Material Related Party Transaction” means a transaction with a related party if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crores or ten percent of the annual consolidated income of the Company as per the last audited financial statements of the Company.
“Policy”	“Policy” means Related Party Transaction Policy.
“Related Party”	An entity shall be considered as related if: (a) such entity is a related party under Section 2(76) of the Companies Act,2013 – i) a director or his relative ii) a key managerial personnel or his relative iii) a firm, in which a director or his relatives is a partner iv) a private company in which a director is a member or a director v) a public company in which a director is a director or 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 is accustomed to act in accordance with the advice, directions or instructions of a director vii) any person on whose advice, directions or instructions a director is accustomed to act. (b) such entity is a related party under the applicable accounting standards- parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.
“Related Party Transaction”	““Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between: (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or (ii) a listed entity 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 listed entity or any of its subsidiaries;

	<p>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:</p> <p><i>Provided that the following shall not be a related party transaction:</i></p> <p><i>(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;</i></p> <p><i>(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:</i></p> <p><i>i. payment of dividend;</i></p> <p><i>ii. sub-division or consolidation of securities;</i></p> <p><i>iii. issuance of securities by way of a rights issue or a bonus issue; and</i></p> <p><i>iv. buy back of securities</i></p> <p><i>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 related party transactions every six months to the stock exchanges, in the format as specified by the Board: Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s)</i></p>
“Relative”	<p>“Relative” means and includes anyone who is related to another, if,</p> <ol style="list-style-type: none"> i. They are husband and wife; or ii. Father (including step-father); iii. Mother (including step-mother); iv. Son (including step-son); v. Son’s wife; vi. Daughter; vii. Daughter’s husband; viii. Brother (including step-brother); ix. Sister (including step-sister).
“Subsidiary”	<p>“Subsidiary” means a company in which the Company holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital.</p>
“Material modification”	<p>“Material modification in a related party transaction” means any modification related to change in price, terms and conditions of any contract or arrangement with related party”.</p>

4. Disclosures

The Company shall pursuant to requirements of SEBI (LODR) Regulations, disclose to the Stock Exchanges the details of all transactions with related parties quarterly along with the compliance report on Corporate Governance. Details of such contract(s) or arrangement(s) with related parties shall also be disclosed in the Board’s Report on Corporate Governance in the Annual Report, which shall be placed to Board for approval.

This Policy will also be disclosed on Company's website and a web link shall be provided in the Annual Report.

5. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval to the Committee in accordance with this Policy.

5.1 All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee of the Board (ACB). Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

However, the ACB may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval.
- b. The Audit Committee shall satisfy itself the need for omnibus approval and that the approval is in the interest of the Company.
- c. The approval shall be applicable only in respect of transactions which are repetitive in nature.
- d. 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 and (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT 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. Audit committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- f. Any omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of **one year**.

5.2 All material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders through ordinary resolution and no related parties shall vote to approve such resolutions.

Provided that the rules mentioned in points 5.1 and 5.2 shall not be applicable in the following cases:

- (i) Transactions entered into between two government companies.
- (ii) 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.

5.3 Type of Transactions to be covered

- a) The following transactions will be covered under this Policy:
- i) Sale, purchase or supply of any goods or materials.
 - ii) Selling or otherwise disposing of, or buying, property of any kind.
 - iii) Leasing of property of any kind.
 - iv) Availing or rendering of any services.
 - v) Appointment of any agent for purchase or sale of goods, materials, services or property etc.
 - vi) Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company.
 - vii) Underwriting the subscription of any securities or derivatives thereof, of the company.

5.4 Identification of potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or 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 Board/ 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 notice of any such potential Related Party Transaction should be given to the Board/Audit Committee well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.5 Procedure for seeking approval of Related Party Transactions

As and when any transaction is contemplated with any Related Party, the terminal / office concerned entertaining the request shall submit to the President & Whole Time Director at Registered Office, the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this, the President & Whole Time Director shall appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator. The Compliance officer shall maintain records indicating particulars of all contracts or arrangements and thereafter the same shall be placed before the next meeting of the Board.

5.6 Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will reclude himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, 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. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ❖ Whether the terms of the Related Party Transaction are fair and on arm's length basis 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 affect the independence of an independent director;
- ❖ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ❖ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the company ; and
- ❖ Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the company , taking into account the size of the transaction, the overall financial position of the Director, Chief Executive Officer or other Related Party, the direct or indirect nature of the Director's, 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 Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the parameters set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

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

- a. Any transaction that involves 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.
- b. 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.

6. Related Party Transactions without the prior approval 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 Committee. The Committee shall consider all 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.

In any case, where the 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 Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

This policy was reviewed and approved by the Board of Directors of the Company at their Meeting held on 28.03.2022.