



**JM FINANCIAL ASSET RECONSTRUCTION COMPANY LIMITED  
POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

**APRIL 2024**

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## 1) Introduction:

JM Financial Asset Reconstruction Company Limited (the “**Company**”) recognises that Related Party Transactions (as defined below) may present potential or actual conflict of interest and may pose questions whether such transactions are in the best interests of the Company and its members or not. This policy regarding the review and approval of Related Party Transactions has been formulated in compliance with the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulations**”) and the Companies Act, 2013 (the “**Act**”). The Policy is meant to lay down principles that will guide the transactions amongst the related parties. The Policy further sets forth the procedures for dealing with the Related Party Transactions including the process for their review, recommendation, approval and ratification as the case may be.

## 2) Purpose:

The Listing Regulations, inter alia, provides that a Company shall formulate a policy on dealing with Related Party Transactions. This policy intends to ensure that the transactions of the Company with its related parties are undertaken on the basis of best practices and in accordance with the applicable provisions of the Regulation 23 of the Listing Regulations read in conjunction with the provisions of Section 188 of the Act and other relevant provisions/rules thereto.

## 3) Definitions:

“**Act**” means Companies Act, 2013 read with rules thereto, including any amendments, re-enactments, modifications, notifications, circulars and orders issued from time to time;

“**Audit Committee**” or “**Committee**” means Audit Committee of the Company as constituted or re-constituted by the Board;

“**Board of Directors**” or “**Board**” means Board of Directors of the Company;

“**Company**” means JM Financial Asset Reconstruction Company Limited;

“**Directors**” means Directors of the Company for the time being occupying the position as such;

“**Key Managerial Personnel**” (KMP) means:

- a. Chief Executive Officer or Managing Director;
- b. Whole-time Director;
- c. Chief Financial Officer;
- d. Company Secretary;
- e. such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- f. Such other officer as may be prescribed, from time to time.

**“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;

**“Material Related Party Transactions”** means transactions with related parties to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, 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(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Ministry”** means the Ministry of Corporate Affairs, India;

**“Policy”** means this Policy on dealing with Related Party Transactions;

**“Promoter” and “Promoter Group”** shall have the respective meanings as assigned to them in the Listing Regulations;

**“Relative”** in reference to an individual means and includes:

- a. members of Hindu Undivided Family;
- b. Spouse;
- c. Father including step-father;
- d. Mother including step-mother;
- e. Son including the step-son;
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother including the step-brother;
- j. Sister including the step-sister.

**“Related Party(ies)”** means a person/entity which is a related party as defined under Section 2(76) of the Act or under applicable accounting standards, as amended from time to time.

In terms of the Listing Regulations, the following shall be deemed to be the Related Party:

- a. any person or entity forming a part of the promoter or promoter group of the Company; or
- b. any person or any entity, holding equity shares;
  - i. of 20% or more; or
  - ii. of 10% or more, with effect from April 1, 2023;

in the Company, either directly or on a beneficial interest basis, as provided under Section 89 of the Act, at any time, during the immediate preceding financial year.

“**Related Party Transaction**” shall have the same meaning as defined under the Listing Regulations.

#### **4) Identification of the Related Parties:**

The Company, on the basis of the definition of the Related Party as provided above, shall identify the related parties and maintain a list of such parties tracking the transactions, if any, with such parties.

#### **5) Procedures:**

In terms of the Regulation 23 of the Listing Regulations read with the Act and rules thereunder, the Related Party Transactions may be approved as per the process outlined below.

##### **A. Audit Committee Approval**

- a. All Related Party Transactions and subsequent material modifications (if any).
- b. All Related Party Transactions whether entered into individually or taken together with the previous transactions during a financial year, wherein the subsidiary of the Company is a party but the Company is not a party, if it exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary of the Company.

The above-mentioned transactions shall be approved only by the independent directors of the Company who are members of the Audit Committee.

##### **Omnibus Approval**

In terms of Section 177 of the Act and Regulation 23(3) of the Listing Regulations, the Audit Committee may grant omnibus approval for related party transactions 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 in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company;

The maximum value of the transactions, singly or in aggregate, which can be allowed under the omnibus route in a year shall not exceed Rs. 1,000 crore or 10% of annual consolidated turnover of the Company as per the last audited financial statements of the Company. In the event, where the need for the Related Party Transactions cannot be foreseen and details as required to be

placed before the Audit Committee are not available, then the Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding Rs. 1 crore per transaction;

- c. Such omnibus approval shall specify (i) the name(s) of the related party and nature of relationship; (ii) nature, duration, maximum amount and particulars of transaction or contract or arrangement; (iii) type, nature, material terms and particulars of the proposed transaction; (iv) Tenure of the Proposed transactions (particular tenure shall be specified); (v) Value of the proposed transaction/Estimated maximum amount; (vi) The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction; (vii) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT; (viii) Basis of charge/Justification; (ix) Additional details, if the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company; (x) such other conditions as the Audit Committee may deem fit;
- d. The Audit Committee shall review the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given by it on a quarterly basis;
- e. Such omnibus approval shall remain valid for a period of one financial year commencing from April 1<sup>st</sup> and ending on March 31<sup>st</sup> irrespective of the date of approval by the Audit Committee or such other lesser period as may be specified by the Audit Committee and shall require fresh approval after its expiry;
- f. Omnibus approval shall not be made for transaction(s) in respect of selling or disposing off the undertaking of the Company.

Each Material Related Party Transaction shall also require prior approval of the Board and shareholders of the Company, in accordance with the relevant provisions of the Listing Regulations, the Act and/or the rules, as may be applicable.

If any Member of the Committee is interested in any contract or arrangement with a related party, such Member shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

***Information to be placed before the Audit Committee for granting prior/omnibus approval to Related Party Transaction:***

The information required to be placed before the Audit Committee for grant of prior/omnibus approval by it shall be as specified under the criteria as approved by the Audit Committee and the Board and the applicable provisions of the Listing Regulations and the SEBI circular(s) as issued in this regard.

***Factors to be considered by the Audit Committee while approving a Related Party Transaction:***

- Whether the terms of Related Party Transaction are fair and on arm's length basis?
- Whether the Related Party Transaction is in the ordinary course of business of the Company or 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 Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company;
- Any other factors the Committee deems relevant.

***B. Approval of the Board of Directors and Members, if any, and to the extent required***

- All material Related Party Transactions and subsequent material modifications to the transactions, if any, thereto as approved by the Audit Committee; and
- All transactions between the Company and its Related Parties which are not in the Ordinary Course of Business, or not proposed to be executed at Arm's length basis.

No person/entity falling under the definition of Related Party, who is a member of the Company, shall vote to approve the transactions/resolutions whether such person/entity is a party to the particular transaction or not.

Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

The explanatory statement to be annexed to the notice of a general meeting convened to consider the special resolution to approve a Material Related Party Transaction(s) shall contain such information as specified under the Listing Regulations and the SEBI circular(s) as issued in this regard.

**6) Exception to obtain the required approvals:**

The approval of the Board of Directors and the Members of the Company shall not be required for entering into the related party transactions as specified in Section

188 of the Act, if the transaction is in the ordinary course of business and at arm's length basis.

Also, no approval of the Audit Committee and the Members shall be required for any Material Related Party Transaction(s) to be entered between the Company and its wholly owned subsidiaries, if any, whose accounts are consolidated with the Company and placed before the members at the general meeting.

**7) Disclosures:**

- a) The particulars of Related Party Transactions shall be disclosed in every six months to the stock exchanges in such manner as may be prescribed under the Listing Regulations on the publication of the financial results for the half year and shall be published on the website on the Company.
- b) This policy shall be uploaded on the website of the Company and a web link thereto shall be provided in its annual report.
- c) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance filed with the stock exchanges.

**8) Amendment/Review:**

This Policy may be reviewed from time to time and any amendment or modifications in this Policy shall be subject to the review and approval by the Board of Directors of the Company.

In case any amendments, clarifications, circulars and guidelines issued by the regulatory body(ies)/authority(ies) and such amendments, clarifications, circulars and guidelines are not being consistent with the requirements specified under this Policy, then the provisions of such amendments, clarifications, circulars and the guidelines shall prevail and accordingly, this Policy shall stand amended effective from the date as laid down under such amendments, clarifications, circulars and guidelines.

**Place : Mumbai**

**Date :**

**Chairman**