

**POLICY ON DEALING WITH RELATED PARTY
TRANSACTIONS
OF
SINDHUJA MICROCREDIT PRIVATE LIMITED**

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POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

OBJECTIVE & PURPOSE OF POLICY

This Policy on dealing with Related Party Transactions is framed in consonance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("Master Direction DNBR. PD. 008/03.10.119/2016-17") dated September 01, 2016 (as updated from time to time) and is intended to ensure proper reporting, approval and disclosure of the concerned transactions between the Company and its Related Parties.

This Policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions may be considered appropriate only if they are in the best interest of the Company and its shareholders. This policy deals with the review and approval mechanism of related party transactions keeping in mind the potential or actual conflict of interest that may arise because of such transactions.

DEFINITIONS

- 1) **"Act"** means the Companies Act, 2013 and shall include all rules, regulations, sub-ordinate legislations made thereunder, amendments, modifications and re-enactments of the.
- 2) **"Audit Committee or Committee"** means a Committee of the Board of Directors of the Company constituted in terms of the Guidelines issued by RBI, Listing Regulations and the Act.
- 3) **"Arm's Length Basis"** means a transaction between two Related Parties that is conducted as if they were unrelated so that there is no conflict of interest. For determining Arm's Length Basis, reliance shall be placed on Indian Accounting Standard (Ind AS) 24.
- 4) **"Articles" or "AOA"** means the Articles of Association of the Company as may be amended from time to time as prescribed under the Transaction Documents.
- 5) **"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time.
- 6) **"Director"** shall mean a director on the Board;
- 7) **"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 and includes:-

- a. Managing Director
- b. Whole-time Director;
- c. Company Secretary;
- d. Chief Financial Officer;
- e. such other officer as may be prescribed

8) “Material Related Party Transaction” 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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Further, 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 five percent of the annual consolidated turnover of the company as per the last audited financial statements of the company shall be considered material.

9) “Person(s)” shall mean an individual, corporation, partnership, limited liability partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

10) “Policy” means this policy on dealing with Related Party Transactions of the Company.

11) “Related Party” means such party with reference to a company as defined in Section 2(76) of the Act and under the applicable accounting standards.

12.)“Related Party Transaction” (hereinafter referred as “RPTs” As per SEBI (LODR), “related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, 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. As per section 188(1) of Act related party transaction will include following specific transactions:

- 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;
- vi) such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii) Underwriting the subscription of any securities or derivatives thereof, of the company. viii) Financing (including loans and equity contributions in cash or kind)

13)“Relative” In terms of Section 2(77) of the Act read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if –

- a. They are members of a Hindu undivided family;
- b. They are husband and wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);

- f. Son's wife;
- g. Daughter;
- h. Daughter's husband; i. Brother (including step-brother);
- j. sister (including step-sister).

APPROVAL OF RELATED PARTY TRANSACTIONS

- **Approval of the Audit Committee**

- All the transactions which are identified as related party transactions should be preapproved 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 any interest in any related party transaction shall not vote to approve 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 price, would require approval of the Board of Directors or of shareholders as discussed subsequently.
- The Audit Committee shall approve with or without any subsequent modification of transactions of the company with related parties.
- The Audit Committee shall mandatorily review the Statement of significant related party transactions as submitted by management;

- **Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of Companies Act, 2013, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis shall be placed before the Board for its approval on the recommendation of the Audit Committee.

In addition to the above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:

- a) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- b) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- c) Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

- **Approval of the Shareholders of the Company**

Any such Related Party Transactions that exceeds the thresholds as prescribed under the Companies Act, 2013 and the Rules framed there under shall also be placed for prior approval of shareholders at the general meeting.

- **Material Related Party Transaction**

All Material Related Party Transactions shall be placed for prior approval of shareholders through a Resolution. However, the Material Related Party Transactions entered into between the Company and its wholly owned subsidiaries, if any, shall not require prior approval of the shareholders.

- ✚ **REVIEW OF RELATED PARTY TRANSACTIONS**

All the related party transactions entered into by the Company shall be reviewed by the Audit committee as well as Board atleast once in every financial year and as many times as it may deem fit.

To review a Related Party Transaction, the Committee and the Board will be provided with all relevant material information of the Related Party Transaction viz:

- a. The name of the Related Party and nature of relationship;
- b. The nature, duration of the contract and particulars of the contract or arrangement;
- c. The material terms of the contract or arrangement including the value, if any;

- d. Any other information relevant or important for the Audit Committee/Board to take a decision on the proposed transaction.

*** NOTE:**

If a member of the Audit Committee/Board or any member of company is interested in an item of business which is a Related Party Transaction under Section 188 of the Act proposed to be entered into by the company, he/she shall recuse himself and abstain from discussion and voting on the approval or ratification of such of the Related Party transaction. Further, such interested member shall also not be reckoned for the purpose of counting quorum of the meeting.

✚ ASCERTAINING WHETHER RELATED PARTY TRANSACTIONS ARE IN THE ORDINARY COURSE OF BUSINESS

1. In order to determine whether a transaction is within the ordinary course of business or not, some of the principles that may be adopted to assess are as follows:
 - a) whether the transaction is in line with the usual transactions, customs and practices undertaken by the company to conduct its business operations and activities;
 - b) whether it is permitted by the Memorandum and Articles of Association of the company; and
 - c) whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a company.
2. The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.
3. Whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. An exceptionally large value transaction should invite closer scrutiny.

✚ DISCLOSURE OF INTEREST OR CONCERN

1. All Related Party Transactions in which Directors are interested as defined in Section 184/188 of the Act shall be entered in with all the relevant particulars in register maintained in Form MBP 4 as prescribed in Rule 16 of the Companies (Meetings of Board and its Powers) Rules, 2014.
2. Further, every member / director of Audit Committee or Board who is interested in an item of business which is a Related Party Transaction under Section 188 of the Act proposed to be entered into by the company and transacted/approved at the meeting shall disclose in advance his/her interest / concern.
3. In accordance with provisions of Section 184(2) of the Act, if any director of a company is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into:

- a. with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- b. with a firm or other entity in which, such director is a partner, owner or member, as the case may be;

Then, he/she shall disclose the nature of his/her concern or interest at the meeting of the Board in which such contract or arrangement is discussed and shall not participate in such meeting during the discussion of such contract or arrangement:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

*** NOTE:**

A contract or arrangement entered into by the company without disclosure under section 184 (2) of the Act or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.