

Swarna Pragati Housing Microfinance Private Limited



SWARNA PRAGATI HOUSING

Related Party Transaction Policy

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A. INTRODUCTION

Swarna Pragati Housing Microfinance Private Limited (“the Company”) is committed to upholding the ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management, other related parties etc. with the interest of the Company.

The Board of Directors (“Board”) of the Company, has adopted the following policy and procedures with regard to Related Party Transactions (“RPT”) as defined below, in compliance with the requirements of Section 188 of the Companies Act, 2013 and Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 in order to ensure the transparency and procedural fairness of such transactions.

B. OBJECTIVE

Section 188 of the Companies Act read along with the Companies (Meetings of Board and its Powers) Rules, 2014 provides the detailed mechanism for dealing with the RPTs of a company by the Audit Committee of the Board (“Audit Committee”) including all the approvals required to be passed by the Board and the Shareholders in different circumstances. The objective of this policy is to ensure proper approvals and reporting of transactions between the Company and its related parties in compliance of provisions of the Companies Act and all other applicable statutory provisions for the time being in force, in this regard.

This policy is designed to govern the transparency of the approval process and disclosure requirements to ensure fairness in the conduct of related party transactions. The Board may amend this policy from time to time as may be required.

Any exceptions to the policy on RPTs must be consistent with the Companies Act, including the rules there under and must be approved in the manner as may be decided by the Board.

C. DEFINITIONS

1. **“Arm's Length transaction”** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, as defined in explanation (b) to Section 188 (1) of the Companies Act.
2. **“Associate Company”**, in relation to another company, means any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.
3. **“Audit Committee”** means Audit Committee constituted by the Board of Directors of the Company under the provisions of Section 177 of the Companies Act 2013.
4. **“Board”** means the Board of Directors of the Company.
5. **“Control”** includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:
6. Provided that a director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position.

7. **“Key Managerial Personnel”** or **“KMP”** includes:
- the Chief Executive Officer or the Managing Director or the Manager;
 - the Company Secretary;
 - the Whole time Director;
 - the Chief Financial Officer;
 - 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;
 - such other officer as may be prescribed under the Companies Act
8. **“Material related party transactions”** means those transactions entered into with the Company by a related party, which when individually or together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company whichever is lower.
- Notwithstanding the above, 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.
9. **“Material Modification”** shall mean a 10% or more increase in the original value/ consideration of any Related Party Transaction which was approved by the Audit Committee/Shareholders of the Company, as the case may be.
10. **“Ordinary course of business”** 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:
- whether the transaction is in line with the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities;
 - whether it is permitted by the Memorandum and Articles of Association of the Company; and
 - whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a company.
11. **“Related Party”** means a related party as defined under Section 2(76) the Companies Act, 2013 as amended from time to time.
12. **“Related Party Transactions”** means transactions/ contracts/arrangements between the Company and its related parties which fall under one or more of the following headings:

Related Party Transaction under Section 188 of the Companies Act:

- Sale, purchase or supply of any goods or materials;
- Selling or otherwise disposing of, or buying, property of any kind;

- Leasing of property of any kind;
 - Availing or rendering of any services,
 - Appointment of any agent for the purchase or sale of goods, materials, services or property;
 - Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
 - Underwriting the subscription of any securities or derivatives thereof, of the Company.
13. **“Relatives”**, as stated in Section 2(77) of the Companies Act, with reference to any person, means anyone who is related to another, if –
- They are members of a Hindu Undivided Family;
 - They are husband and wife; or
 - One person is related to the other in the following manner, namely:
 - a) Father including step father;
 - b) Mother including step mother;
 - c) Son including step son;
 - d) Son’s Wife;
 - e) Daughter;
 - f) Daughter’s Husband;
 - g) Brother including step brother; and
 - h) Sister including step sister
14. **“Office or place of profit”** means any office or place:
- where such office or place is held by a Director, if the Director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent- free accommodation, or otherwise; and
 - where such office or place is held by an individual other than a Director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent free accommodation, or otherwise.
15. **“Total Share Capital”** means the aggregate of the paid-up equity share capital and convertible preference share capital of the Company.

D. DETAILS REQUIRED FOR ASCERTAINING RELATED PARTY

Every Director and KMP will be responsible for providing the following declarations to the Company Secretary (CCO) on an annual basis-

1. Declaration/ Disclosure of interest by all the Directors and KMP in **Form MBP 1**;
2. Declaration of relatives by all Directors and KMPs as per **Annexure - I**;
3. Declaration about a firm in which a Director/ Manager or his relative is a partner;
4. Declaration about a private Company in which a Director or Manager or his relative is a Member or Director;
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid up share capital;

6. Notices from Directors of any change in particulars of Directorship or in other positions during the year;
7. Details of any Body Corporate, whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager of the Company;
8. Details of any person on whose advice, directions or instructions a Director or Manager is accustomed to act; apart from advice given in professional capacity; and
9. Details of any company which is:
 - An investing company or the venturer of the Company.

E. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION

The Company Secretary shall at all times maintain a database of the Company's Related Parties containing the names of individuals and companies, identified on the basis of the definition set forth above, along with their personal/ company details including any revisions therein.

The Finance & Accounts Team shall be provided with a complete list of related parties in respect of the Company. Any proposed transaction with Related Party shall be communicated to the Company Secretary for consideration and approval by the Audit Committee and/or the Board of the Company. If the transactions are regular in nature, the Finance & Accounts Team shall seek an enabling approval from the Board with financial limit for such transactions each year.

The Related Party list shall be updated whenever necessary, as per intimation received by the Company Secretary and shall be reviewed on a quarterly basis.

In determining whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Related Party Transaction is in the interest of the Company and its stakeholders and whether there is any actual or potential conflict of interest between the related parties or between the related parties and the Company.

F. APPROVAL OF RELATED PARTY TRANSACTIONS

In accordance with Section 188 of the Companies Act and the Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

Audit Committee, Board of Directors and Shareholders' approval in terms of Companies Act:

All material Related Party Transactions which are either not on Arm's Length Basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors. The Board of Directors shall further recommend the same for the approval of the Shareholders by way of resolution of the Company, in case the said transactions exceed the value of transactions as provided under Section 188 of the Companies Act, 2013 read with rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and any

amendment thereof or the transaction is defined as material related party transaction by the Audit Committee.

Where an omnibus approval is obtained, the Company Secretary shall obtain details of the Related Party Transactions undertaken by the Company on a quarterly basis, review the value of such transactions and present the same before the Audit Committee for any additional approvals, where the limits laid down under the omnibus approval are likely to be breached.

Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an Arm's Length Basis, shall be accompanied with management's justification for the same. Before approving such transactions, the Audit Committee will look into the interest of the Company and its Shareholders in carrying out the Related Party Transactions and alternative options, if any, available. The Audit Committee may accordingly approve or modify such transactions, in accordance with this policy and/ or recommend the same to the Board for approval.

The Chairperson of the Audit Committee/Board shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on Arm's Length Basis and assure themselves that the same are in the interest of the Company and its Shareholders.

G. MATERIAL RELATED PARTY TRANSACTIONS THAT REQUIRE PRIOR APPROVAL OF SHAREHOLDERS AS PER COMPANIES ACT, 2013:

- Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company;
- Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the Company;
- Leasing of property any kind amounting to 10% or more of the turnover of Company;
- Availing or rendering of any services, directly or through appointment of agent, amounting 10% or more of the turnover of the Company;
- Explanation: It is hereby clarified that the limits specified in points 1 to 4 above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- Transaction is for appointment of relative or himself to any office or place of profit in the Company, its subsidiary company or associate company at a remuneration exceeding ₹2,50,000 (Rupees Two Lakh Fifty Thousand) per month and
- Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth.
- Explanation: The turnover or net worth referred in the above points shall be computed on the basis of the audited financial statement of the preceding financial year.

H. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

Where any contract or arrangement is entered into by a Director or any other employee of the Company with a Related Party, without obtaining the consent of the Board or approval by a resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders, at a meeting within three months from the date on which such contract or arrangement was entered into, the matter shall be reviewed by the Audit Committee, which may consider all of the relevant facts and circumstances regarding the Related Party Transactions and evaluate all the options available with the Company. Such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

Audit Committee may also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transactions to the Audit Committee under this Policy and take any such action it deems appropriate.

I. RECORDS

The Company shall maintain adequate records, either physically or electronically, as required under applicable laws, giving separately the particulars of all contracts or arrangements to which this policy applies.

J. DISCLOSURES

Every Contract or arrangement entered with Related Parties to which sub section (1) of Section 188 of the Companies Act is applicable shall be referred to in the Board's Report to the Shareholders along with the justification for entering into such contract or arrangements. The disclosures should also be made in Form AOC-2 as prescribed under the Companies Act.

The Company shall disclose the contract or arrangements entered into with the Related Party in the Board's Report to the Shareholders along with the justification for entering into such contract or arrangement.

The Company shall disclose this policy relating to Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

K. EXEMPTION FROM APPLICABILITY OF THE POLICY

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this policy shall not apply to the following Related Party Transactions, which shall not require approval of Audit Committee, Board of Directors or Shareholders, as per the 5th proviso to section 188(1) and 4th proviso to section 177 (4) of Companies Act, 2013:-

- Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to/employment with 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, other than transactions which are not on an Arm's Length basis.
- Any transaction in which the Related Party's interest arises solely from the ownership of securities issued by the Company and the Related Party receives the same benefits pro rata as all other holders of the same class of securities, other than transactions which are not on an Arm's Length basis.

L. POLICY REVIEW

The Board of Directors of the Company, subject to applicable laws is entitled to review, amend, suspend, or rescind this Policy at any time. However, the Board of Directors shall review the policy mandatorily every three years and update accordingly. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict between the provisions of this policy and of the provisions of the Companies Act and/or the Listing Regulations and any other applicable law dealing with related party transactions, such applicable regulation/provisions of law in force from time to time shall prevail over this policy.

List of Relatives

Sr.No.	Relationship	Full Name	Address	Shareholding in Swarna Pragati
1	Spouse			
2	Father (including Step-Father)			
3	Son (including Stepson)			
4	Daughter			
5	Daughter's Husband			
6	Brother (Including Step-Brother)			
7	Sister (Including Step-Sister)			
8	Mother (including Step-Mother)			
9	Son's Wife			
10	Members of HUF			