

SRG HOUSING FINANCE LIMITED



POLICY ON RELATED PARTY TRANSACTIONS

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I. INTRODUCTION

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under, Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, Indian Accounting Standard and other applicable laws, a **SRG Housing Finance Limited** ("SRGHFL" or "the Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions and a policy on materiality of related party transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the board of directors.

In light of the above, SRGHFL has framed this Policy on Related Party Transactions ("**Policy**"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board and the board of Directors shall review the policy at least once in every *three years*.

II. GOVERNING LAWS

This policy shall be governed by provisions of the Companies Act, 2013 and Rules framed thereunder (as amended from time to time), the SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, Indian Accounting Standard on Related Party Disclosures (IND AS 24), Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 and other applicable laws.

In case any term or procedure is not defined in this policy or differs from those defined under the applicable laws; the provisions of the applicable laws shall prevail over and above the clauses of this policy until such time this policy is amended/ updated to confirm to the applicable governing laws.

III. DEFINITIONS

1. "**Arm's length transaction ('ALP')**" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

2. "**Related Party**" means

(i) As per regulation 2(1)(zb) of SEBI (LODR), 2015 related party means a related party as defined under section 2(76) of the Companies Act, 2013 or under the applicable accounting standards.

Deemed Related Party:-

- any person or entity forming a part of the promoter or promoter group of the listed entity; or
- any person or any entity, holding equity shares: of twenty per cent or more; or of ten per cent or more, with effect from April 1, 2023; either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

Relative

In terms of Section 2(77) of the Companies Act, 2013 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); or j. Sister (including step-sister).

3. "Related Party Transaction" (RPT) means -

3.1 Following types of the transactions considered as related party as per section 188 of Companies Act 2013:-

- (a) Sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property; (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

3.2 Types of the transactions considered as related party as per Reg.2(1)(zc) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:-

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:

4. 'Material Modifications:

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.

IV. MATERIALITY THRESHOLDS

Overall threshold limit for related party transaction is Rs. 10 Crore for a financial year.

Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015 requires Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. The Company has fixed its materiality threshold at ten percent of the Annual Consolidated Turnover as per the last Audited Financial Statements of the Company for the transactions to be entered into individually or taken together with previous transactions during a financial year, for the purpose of Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015.

Transactions involving payments made to a related party with respect to brand usage or royalty, if individually or taken together with the previous transactions during a financial year exceeds 2% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Material RPT as per Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 including amendment dated 18th November 2019:

Nature of Transactions	Materiality Threshold for the Transactions
Sale, purchase, supply of any goods or materials, directly or through agent	Amounting to 10% or more of Turnover of the Company
Selling or otherwise disposal of or buying property of any kind directly or through agent	Amounting to 10% or more of Turnover of the Company
Leasing of property of any kind	Amounting to 10% or more of the Company
Availing or rendering of services directly or through agent	Amounting to 10% or more of Turnover of the Company
The limits specified above shall apply for transaction/ transactions individually or taken together with	

previous transactions during a financial year.	
Appointment to any office or place of profit in the Company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 2,50,000/-
Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company.	Exceeding 1% of the Net worth

Note- The Turnover or Net worth referred above shall be computed on the basis of the audited financial statements of the preceding financial year.

Material Modifications to Related Party Transactions will require prior approval of the Audit Committee. Material Modifications to material Related Party Transactions will require prior approval of the Shareholders of the Corporation. Further, any other modifications to transactions entered into by the Corporation with its related parties will require the approval of the Audit Committee notwithstanding that such modification is a Material Modification.

V.MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

1. Identification of Related Parties

SRGHFL has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 23 of the Regulations.

2. Identification of Related Party Transactions

SRGHFL has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Regulation 23 of the Regulations. SRGHFL has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

3. Procedure for approval of Related Party Transactions

a) Approval of the Audit Committee

- All related party transactions shall require prior approval of the **Audit Committee** irrespective of ordinary course of business or arm length basis.
- Each of SRGHFL directors and executive officers are instructed to inform the Company Secretary or Management of the Company of any potential Transaction with Related Party. All such transactions will be analysed by the Audit Committee in consultation with management to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. The Committee will be provided with the following details of each new, existing or proposed Related Party Transaction:
 - The Name of the Related Party and nature of relationship
 - The nature, duration and particulars of the contract or arrangement;
 - The material terms of the contract or arrangement including the value, if any
 - Any advance paid or received for the contract or arrangement, if any;
 - The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract
 - Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

- If a Related Party Transaction is ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party.
- A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.
- Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction. However, the Chairperson of the Committee may allow participation of such member in some or all of the Committee's discussions of the Related Party Transaction.
- The Audit Committee may review any previously approved or ratified Related Party Transaction that is continuing and determine based on then-existing facts and circumstances, including the Company's existing contractual or other obligations, if it is in the best interests of the Company to continue, modify or terminate the transaction.

Only those members of the Audit Committee who are Independent Directors will approve RPTs. Any member of the Audit Committee having a potential interest in the proposed RPT will not participate in the discussions nor vote on the proposal for approval of the transaction.

➤ **Omnibus approval:**

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- i. 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;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. The omnibus approval shall provide -
 - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - b) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and
 - c) such other conditions as the Audit Committee may deem fit.

However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 Crore per transaction;
- iv. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
- v. Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- i. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

- ii. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- iv. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

b) Approval of the Board of Directors of the Company

- As per the provisions of Section 188 of the Act, 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.
- In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:
 - i. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
 - ii. 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;
 - iii. 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.
 - iv. Transactions meeting the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.
- Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- Following minimum information would be placed before the Board for enabling the Board to consider and approve the Related Party Transaction:
 - The Name of the Related Party and nature of relationship
 - The nature, duration and particulars of the contract or arrangement;
 - The material terms of the contract or arrangement including the value, if any;
 - Any advance paid or received for the contract or arrangement, if any
 - The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
 - Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

c) Approval of the Shareholders of the Company

- All the transactions with related parties meeting the materiality thresholds, laid down in Clause 4 of the Policy, shall be placed before the shareholders for approval.

- For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Regulation 23(5) of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015 provides that the requirement for seeking shareholders' approval shall not be applicable to:

- i. Transactions between two government companies;
- ii. Transactions between a holding company and its wholly owned subsidiary/ies (if any) whose accounts are consolidated with the holding company and placed before the shareholders at the general meeting for approval.

- In addition to the above, all kinds of transactions specified under Section 188 of the Act which:

(a) are not in the ordinary course of business and at arm's length basis; and

(b) exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for their approval.

- The explanatory statement to be annexed to the notice of general meeting in this regards shall contain following particulars, inter-alia:

- name of the related party;
- name of the director or key managerial personnel who is related, if any;
- nature of relationship;
- nature, material terms, monetary value and particulars of the contract or arrangement;
- any other information relevant or important for the members to take a decision on the proposed resolution.

VI.DISCLOSURES

Each director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors.

SRGHFL shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

SRGHFL shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis along with compliance report on Corporate Governance to the stock exchange.

Quarterly/periodical updates shall be provided to the Audit Committee members on the related party transactions entered by the Company.

This Policy shall be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report.

The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contracts or Arrangements in which Directors are interested, maintained by the Company as per the provisions of the Companies Act, 2013 and rules framed thereunder.

Material Transactions exceeding the threshold limits as prescribed under Rule 15 sub rule(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 shall be disclosed under "Details of material contracts or arrangements or transactions at arms' length" in Form no. AOC-2 as a part of the Directors Report, as prescribed under Companies Act, 2013.

The Company shall submit disclosure of Related Party Transactions on a consolidated basis in the format specified in the relevant accounting standards for annual results to the stock exchanges within 15

working days from the date of its publication of its standalone and consolidated financial results for the half year and with effect from April 1, 2023 on the date of publication of its standalone and consolidated financial results for the half year.

VII.RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In any case, where the Audit Committee determines In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

VIII.EXCLUSION OF POLICY

This policy shall not be applicable to following related party transactions:

- 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) Corporate actions as under as the same are uniformly applicable to all shareholders:
 - Payment / receipt of dividend
 - Issue of securities as rights or bonus
 - Sub-division or consolidation of securities
 - Buy-back of securities

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Last Reviewed on 23-05-2024