Related Party Transaction Policy

Finance and Accounts

Svatantra Microfin Limited

Document Metadata

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9.	V1.8	7th August, 2026	To align the policy with SEBI Listing Regulations

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1. OBJECTIVE

This Policy will ensure that related party transactions of the Company are carried out in a transparent manner as per the legal provisions. This policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.

This policy has been framed in order to comply with the requirements of Regulation 23 of the SEBI Listing Regulations, which requires the Company to formulate a policy on materiality of related party transactions, Reserve Bank of India (Non-Banking Financial Companies – Microfinance Institution) Directions, 2025 read with RBI Master Direction – Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 dated November 28, 2025 and all other applicable regulations and circulars issued by the Reserve Bank of India from time to time. This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013, SEBI Listing Regulations, RBI Directions, accounting standards / IND AS as issued by Institute of Chartered Accountants of India, Income tax Act, 2025 and such other statutes as may be put in place in relation to corporate governance and Related Party Transactions.

Accordingly, the Board has adopted the following Policy with regard to related party transactions. The Policy has been prepared in accordance with Section 177 and Section 188 of the Companies Act, 2013 and applicable provisions of the SEBI Listing Regulations.

2. SCOPE

This policy shall be applied in:

a. Identifying related parties, updating and maintaining the database of such persons/entities;
b. Ascertaining that the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis'.
c. Identifying related party transactions.
d. Obtaining required approvals before entering into any related party transactions and modifications, if any.
e. Determining the disclosures / compliances to be adhered in relation to the related party transactions.

3. DEFINITIONS

a. "**Audit Committee**" shall mean the committee of Board constituted in pursuance of Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI Listing Regulations.

b. "**Arm's Length Transaction / Basis**" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

c. **"Board"** shall mean the board of directors of the Company;

d. "**Director(s)**" shall mean a member of the Board.

e. "**Key Managerial Personnel**" shall mean the person(s) appointed as such in pursuance of Section 203 read with Section 2(51) of the Companies Act, 2013.

f. "**Material Modification**" shall mean and include any modification to an existing Related Party Transaction having variance of 20% or more of the transaction value as previously approved by the Audit Committee/Board/shareholders of the Company, as the case may be.

g. "**Material Related Party Transaction**" shall have the meaning ascribed to it in Clause 5 hereof.

h. "**Ordinary Course of Business**' shall mean the usual transactions, customs and practices carried on generally by the Non-Banking Financial Companies and shall include:

  i. transactions covered in the 'main objects' or the 'objects incidental' to attainment of the main objects as envisaged in the Memorandum and Articles of Association of the Company;

  ii. transactions which are usually carried out by any Non-Banking Financial Company;

  iii. transactions which have been carried out by the Company regularly in last three (3) years;

  iv. transactions done with a related party on a similar basis as of a third party;

  v. transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.

i. "Policy" shall mean Related Party Transaction Policy.

j. "**Related Party**", in relation to the Company shall mean a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act, 2013, Rules made thereunder, SEBI Listing Regulations or under applicable accounting standards / IND AS, each as amended;

k. "**Relative**" with reference to any person, shall mean anyone who is related to another person as defined under Section 2(77) of the Companies Act, 2013, Rules made thereunder and SEBI Regulations and applicable accounting standards / IND AS, each as amended.

l. "**Related Party Transaction**" shall mean a transaction involving a transfer of resources, services or obligations between:

   i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or

   ii. the Company 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 Company or any of its subsidiaries;

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, and includes transactions as defined as a "related party transaction" under the relevant provisions of the Companies Act, 2013 the SEBI Listing Regulations or any other related law, regulation, standard, each as amended;

Provided that the following shall not be a related party transaction:

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. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

   (i) payment of dividend;
   (ii) subdivision or consolidation of securities;
   (iii) issuance of securities by way of a rights issue or a bonus issue; and
   (iv) buy-back of securities.

c. retail purchases from the Company or any of its subsidiaries by the directors or key managerial personnel of the Company or any of its subsidiaries, and relatives of such directors or key managerial personnel without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

m. "**Rules**" shall mean the rules framed under the Companies Act, 2013 as amended from time to time.

n. "**SEBI Listing Regulations**" shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;

4. IDENTIFICATION OF RELATED PARTIES

4.1 The Company shall identify Related Parties as per the requirements of the Companies Act, 2013 and the SEBI Listing Regulations, and keep the list of Related Parties updated from time to time;

4.2 Every Director/Key Managerial Personnel/ shall at the beginning of the financial year provide information by way of written notice to the Company regarding his/her concern or interest in the entity with specific concern to parties which may be considered as Related Parties with respect to the Company and shall also provide the list of Relatives which are regarded as Related Parties as per this Policy.

4.3 Each of the Directors, Key Managerial Personnel and Promoter(s) are also required to provide the information regarding their engagement with other entities during the financial year which may be regarded as a Related Party according to this Policy.

4.4 Each Director/Key Managerial Personnel/Promoter(s) is responsible for providing notice to the Company or 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 a transaction does constitute a Related Party Transaction requiring compliance with this Policy.

4.5 Any change in the list of Relatives shall be intimated by the Directors/Key Managerial Personnel/Promoter(s) by way of a fresh declaration to the Company.

5. MATERIAL RELATED PARTY TRANSACTION

A Related Party Transaction shall be considered material if the transaction or transactions to be entered into individually or taken together with previous transactions during a financial year, exceed the thresholds specified in Schedule XII of the SEBI Listing Regulations which is reproduced below:

Consolidated Turnover of Company Threshold	Threshold
Up to ₹20,000 crore	10% of the annual consolidated turnover of the Company
More than ₹20,000 crore to up to ₹40,000 crore	₹2,000 crore + 5% of the annual consolidated turnover of the Company above ₹20,000 crore
More than ₹40,000 crore	₹3,000 crore + 2.5% of the annual consolidated turnover of the Company above ₹40,000 crore or ₹5,000 crore, 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 transaction(s) during a financial year, exceed 5 (five) per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

All Material Related Party Transactions and its subsequent Material Modifications, if any, shall require prior approval of the Shareholders of the Company by way of a Special Resolution, subject to compliance with relevant conditions as specified under the SEBI Regulations. The prior approval of the shareholders of the Company for Material Related Party Transactions and subsequent Material Modifications shall not be required for a Related Party Transaction to which a listed subsidiary of the Company is a party but the Company is not a party, if Regulations 23 and 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary.

The requirement of prior approval of the shareholders of the Company would not be applicable in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognised stock exchanges within one day of the resolution plan being approved.

Omnibus approvals granted by shareholders for Material Related Party Transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under the Companies Act, 2013 and Rules. In case of omnibus approvals for Material Related Party Transactions granted by shareholders in general meetings other than the annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

6.1 Approval of the Audit Committee:

A. Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company, which are repetitive in nature and subject to such other conditions as it may consider necessary in line with this policy and in the interest of the Company.

   (i) The omnibus approval shall be valid for a period of one (1) financial year and shall require fresh approval after expiry of such financial year.

   (ii) Omnibus approval shall not be granted for transactions in respect of selling or disposing of the undertaking of the Company.

   (iii) In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, to enter into a transaction with a Related Party.

   (iv) The Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

B. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction and members of the audit committee, who are independent directors, shall approve related party transactions.

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

   i) Any transaction that involves the providing of remuneration and sitting fees to a director or Key Managerial Personnel or senior management, except who is part of promoter or promoter group 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 and which shall not be material in terms of clause 5 of this policy read with SEBI Listing Regulations, as amended.

ii) 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.

iii) Transaction(s) as listed below undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year:

a) transaction(s) done in Ordinary Course of Business and at arm's length;
b) remuneration by way of sitting fees;
c) reimbursement of expenses for attending board and other meetings;
d) any profit related commission as approved by members.

iv) Any related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

v) Any related party transaction of unlisted subsidiaries of a listed subsidiary as referred to in (iv) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy, subject to compliance with the applicable legal provisions.

D. A Related Party Transaction above rupees 1 (one) crore, whether entered into individually or taken together with previous transactions during a financial year, to which a subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of such transaction exceeds the lower of (i) 10% (ten per cent) of the annual standalone turnover of the subsidiary, or, (ii) the threshold for Material Related Party Transactions as specified in Clause 5 of this Policy.

E. A Related Party Transaction above rupees 1 (one) crore, whether entered into individually or taken together with previous transactions during a financial year, to which a subsidiary of the Company is a party but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least 1 (one) year, prior approval of the Audit Committee shall be obtained if the value of such transaction exceeds the lower of (i) 10% (ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary (taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee), or, (ii) the threshold for Material Related Party Transactions as specified in Clause 5 of this Policy.

6.2 <u>Approval of the Board of Directors:</u>

(A) The following related party transactions shall be placed before the Board of Directors for approval, after the recommendation of the Audit Committee:

(i) Related party transactions referred by the Audit Committee;
(ii) Related party transactions not on arm's length basis, and/or;
(iii) Related party transactions not in the ordinary course of business.
(iv) Related party transactions that are mandated under any law to be approved by Board.

(B) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

(i) the name of the related party and nature of relationship;
(ii) the nature, duration of the contract and particulars of the contract or arrangement;
(iii) the material terms of the contract or arrangement including the value, if any;
(iv) any advance paid or received for the contract or arrangement, if any;
(v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
(vi) 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
(vii) any other information relevant or important for the Board to take a decision on the proposed transaction in line with the applicable legal requirements.

(C) Any Director interested in any contract or arrangement with a related party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

6.3 <u>Approval of the Shareholders:</u>

(A) Any related party transaction which is not in the ordinary course of business and/or not on arm's length basis and crosses prescribed threshold limit for as per Companies Act, 2013, Rules and SEBI Listing Regulations will require prior approval of the Shareholders.

(B) The explanatory statement to be annexed to the notice seeking approval of shareholders shall contain the following particulars namely:

(i) Name of the related party

(ii) Name of the director or key managerial personnel who is related, if any;

(iii) Nature of relationship;

(iv) Nature, material terms, monetary value and particulars of the contract or arrangement;

(v) Any other information relevant or important for the members to take a decision on the proposed resolution.

The approval policy framework is given below:

Audit Committee Approval	**Board Approval**	**Shareholders' Approval**
All Related Party Transactions except items mentioned in 6.1 (C) above.	1. Related Party Transactions referred by Audit Committee for approval of the Board. 2. Related Party Transactions not in the ordinary course of business and not on arm's length relationship. 3. Related Party Transactions mandated under any law to be approved by the Board.	Approval by Ordinary/Special Resolution as required for Related Party Transactions that are not in Ordinary Course of Business and/or not at Arm's length basis and/or crosses prescribed threshold limit as per Companies Act, 2013, Rules and SEBI Listing Regulations.

7. DECISION REGARDING TRANSACTIONS IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH

The Audit Committee or the Board shall after considering the details regarding related party transaction(s) as placed before them, shall determine whether the transaction is in the ordinary course of business and meets the arm's length requirements.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding such 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 Committee under this Policy and shall take any such action as it deems appropriate.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

(i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;

(ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;

(iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;

(iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of SEBI Listing Regulations;

(v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

In case, where the Audit Committee determines 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, immediate discontinuation or rescission of such transaction.

9. AMENDMENT AND REVIEW

The policy will be subject to review after a period of three years. This Policy may be amended, modified or supplemented by the Audit Committee as required and recommended to the Board for its approval, from time to time, to ensure compliance with any amendment, modification or supplementation to the Companies Act, 2013, RBI Regulations and any other guidelines issued by the regulatory authorities or as may be otherwise.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly.

The Audit Committee and/or Board may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.

10. DISCLOSURE

Appropriate disclosures as required by the Companies Act, 2013, Reserve Bank of India, SEBI Listing Regulations and other regulatory bodies as applicable will be made by the Company.

The Company shall disclose this Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the annual report of the Company.

The particulars of Related Party Transactions should be entered in the register(s) maintained under the Companies Act, 2013 wherever applicable.

11. EXEMPTION:

In case of following events / transaction, the Company is not required to obtain prior approval of Audit Committee for RPT, omnibus approval for RPT and prior approval of shareholders for all Material RPT and subsequent material modifications:

a) transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
b) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
c) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.