



POLICY ON RELATED PARTY TRANSACTIONS AND MATERIALITY OF RELATED PARTY TRANSACTIONS

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(As per Annex XXII, point 4.3 of the Master Direction- Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023)

1. PREAMBLE AND PURPOSE

Related party transactions can present a potential or actual conflict of interest which may be against the best interests of the company and its stakeholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed thereunder, Smiti Holding and Trading Company Private Limited (“the Company”) has formulated this policy for identification of related parties and the proper conduct and documentation of all related party transactions.

The Board of Directors (the “Board”) of the Company has adopted the following policy and procedures regarding Related Party Transactions.

This policy will be applicable to all transactions entered into by the Company with its related parties as per the applicable laws and regulations including the Companies Act, 2013. This policy intends to ensure the proper approval and reporting of transactions between the Company and any of its related parties to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. DEFINITIONS

The term related party, related party transactions and other terms mentioned herein shall have the same meaning as defined in the Companies Act, 2013 and other laws, rules, regulations, accounting standards, as may be applicable.

- **“Act”** means the Companies Act, 2013
- **“Arm’s Length Transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest
- **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business and operations and activities and incidental to business or operations of the Company and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. It also includes transactions that are part of the standard industry/market practice. The Board and Audit Committee may lay down the principles for determining ordinary course of business in

accordance with the statutory requirements and other industry practices and guidelines.

- **“Company”** means Smiti Holding and Trading Company Private Limited
- **“Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder
- **“Related Party”** has the meaning as defined in Section 2(76) of Companies Act, 2013 and such entity/ies as defined in applicable Accounting Standards. (AS 18)
- **“Related Party Transaction”** means transactions covered under this policy and includes any contract or arrangement with a related party with respect to transactions defined as –Related Party Transaction under Section 188 of the Companies Act, 2013.
- **“Key Managerial Personnel” or “KMP”** shall have the meaning as defined in the Companies Act 2013 and as amended from time to time

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation and as amended from time to time.

3. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

All Related Party Transactions, other than transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business, and which are on arm's length basis, shall require approval of the Audit Committee and / or the Board of Directors and / or shareholders of the Company, as may be required in accordance with this Policy.

A. Identification of Related Party

- Related parties shall be identified under the Companies Act 2013 and under applicable Accounting Standards. (AS 18) as amended from time to time and regularly verified.
- The Company shall request from all the Directors and Key Managerial Personnel information that may be required for inclusion in the list of related parties of the Company.
- Each Director and Key Managerial Personnel of the Company shall inform the Company of any change in the information previously provided on the list of related parties of the Company.
- Each director and Key Managerial Personnel are responsible for providing notice to the Board 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.

B. Identification of related party transactions

As a policy, the Management of the Company will identify transactions falling under contracts and arrangements, as per the applicable laws, entered with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as applicable.

4. APPROVAL OF RELATED PARTY TRANSACTIONS

A. Audit Committee

All Related Party Transactions shall require the approval of Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to compliance with following conditions:

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- Such omnibus approval shall specify
 - a. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered,
 - b. the indicative base price / current contracted price and the formula for variation in the price if any and
 - c. such other conditions as the Audit Committee may deem fit.
- Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.
 - a. The Audit Committee shall review, at least on a half yearly basis, the details of related party transactions entered by the company pursuant to each of the omnibus approval given.
 - b. Such omnibus approvals shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of 1 financial year.

B. Board of Directors

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

- 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 underwriting the subscription of any securities or derivatives thereof, of the company.

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length basis, the Board will inter alia consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction and any other information the Board may deem Amended and important/relevant for taking decision on a proposed transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

5. REVIEW OF TRANSACTIONS WITH RELATED PARTY

To review a Related Party Transaction, the Committee/ Board will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all 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 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 it deems appropriate.

In cases where the Board and / or shareholders' approval is required, and a contract or arrangement is entered into by a director or any other employee, without obtaining such consent of the Board or approval by a special resolution in the general meeting 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, 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.

In any 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 the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

7. DISCLOSURE AND REPORTING

Details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee and/ or Board meeting. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each of the omnibus approvals given, if any.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

8. AMENDMENTS:

The Board will review the Policy from time to time based on the related party transactions and make suitable modifications, as may be necessary.