



SMART FINSEC LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. INTRODUCTION AND PURPOSE OF POLICY

Smart Finsec Limited ("Company") is governed, amongst others, by the Companies Act, 2013 and regulations framed by Securities and Exchange Board of India ("SEBI"). The Companies Act 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time prescribe comprehensive regulatory framework governing the Related Party Transactions.

Further, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. Accordingly, the Company has formulated this Policy. The Policy regulates all transactions between the Company and its Related Parties.

However, pursuant to Regulation 15(2) of SEBI (LODR) Regulation, 2015 compliance with the Corporate Governance Provisions as specified in in regulations 17, 76[17A,] 18, 19, 20, 21, 22, 23, 24, 77[24A,] 25, 26, 78 [26A,] 27 and clauses (b) to (i) 79 [and (t)] of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V are not applicable to the listed entity having paid up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty five crore, as on the last day of the previous financial year.

2. DEFINITIONS

- (i) **'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.
- (ii) **'Audit Committee' or 'Committee'** means the committee of the Board of Directors of the Company constituted in pursuance of section 177 of the Act and the SEBI Listing Regulations.
- (iii) **'Board'** means members of board of directors of the Company.
- (iv) **'Company'** means Smart Finsec Limited.
- (v) **"Key Managerial Personnel"** means Key Managerial Personnel as defined under Section 203 of the Act.
- (vi) **"Listing Regulations"** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications or reenactments thereof for the time being in force.

(vii) **‘Material Related Party Transaction’**

A transaction with a related party shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crore or ten percent (10%) 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 (5%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Further, related party transactions covered under Rule 15(3) of The Companies (Meeting of Board and its Powers) Rules, 2014 shall also be material related party transaction.

(viii) **‘Material Modification’** mean any modification to the existing Related Party Transaction, already approved by the Audit Committee or Board or shareholders (as the case may be), resulting in variation of 25% in the value, or such modification as may be decided by the Audit Committee.

(ix) **“Relative”** means relative as defined under section 2(77) of the Companies Act, 2013 and rules prescribed there under.

(x) **“Related Party”** shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(1) (zb) of the SEBI Listing Regulations.

(xi) **“Related Party Transactions”** shall mean such transactions as specified under Section 188 of the Companies Act, 2013 or Rules made thereunder and under Regulation 2(1)(zc) of the Listing Regulations, including any amendment or modification thereof.

Regulation 2(1)(zc) states that "related party transaction" means a transaction involving a transfer of resources, services or obligations between:

- a. A listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- b. A listed entity 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 listed entity or any of its subsidiaries, with effect from April 1, 2023, 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.

Following shall not be considered Related Party Transaction of the Company in terms of SEBI Listing Regulations:

- 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. acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.
- d. acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time.
- e. retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

3. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

A. Audit Committee

- i) All Related Party Transaction except the transactions which are exempted under Regulation 23 of SEBI Listing Regulations and subsequent material modifications shall be subject to the prior approval of the Audit Committee. Members of the Audit Committee, who are independent directors, shall only approve related party transactions.

Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of regulation 23(1) of SEBI (LODR) Regulations, 2015.

- ii) Any member of the Committee who has a potential interest in any RPT will rescue himself/herself and abstain from discussion and voting on the approval of the RPT.
- iii) The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiaries subject to following conditions:
 - a. The Audit Committee shall satisfy itself the need for such Omnibus Approval and that such approval is in the interest of the Company.
 - b. Such Omnibus Approval shall specify:
 - the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - the indicative base price / current contracted price and the formula for variation in the price if any and
 - such other conditions as the Audit Committee may deem fit.
- iv) The Audit Committee shall, specify the criteria for granting the omnibus approval and consider the following factors while specifying the criteria for making omnibus approval, namely:
 - a. maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - b. the maximum value per transaction which can be allowed;
 - c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - d. review, at such intervals as the Audit Committee may deem fit, Related Party Transaction entered into by the Company pursuant to each omnibus approval made;
 - e. transactions which cannot be subject to the omnibus approval by the Audit Committee.
 - f. repetitiveness of the transactions (in past or in future);
 - g. justification for the need of omnibus approval.
- v) Where the need for such Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant Omnibus Approval for such transactions subject to their value not exceeding Rs.1 crore per transaction or such higher amount as permitted under the Act/SEBI Listing Regulations.

- vi) The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company or its subsidiary pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.
- vii) Such Omnibus Approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of the one year.
- viii) Omnibus approval shall not be made for transactions in respect of selling or disposing-off the undertaking of the Company.
- ix) A Related Party Transaction including subsequent Material Modifications to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover. With effect from April 1, 2023, aforesaid limit shall be ten percent of the annual standalone turnover as per the last audited financial statements of the subsidiary.

Further, prior approval of the Audit Committee 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 Regulation 23 and Regulation 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary.

B. Board of Directors

All Related Party Transactions which are not in the ordinary course of business or not on an Arm's Length basis shall require the prior approval of the Board at a meeting thereof and required compliances prescribed under Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended, from time to time and all the material related party transactions and subsequent material modifications which are subject to the approval of the shareholders of the company shall require the approval of the Board at a meeting thereof.

Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

C. Shareholders

If a Related Party Transaction is:-

- a. a material transaction including subsequent material modification as per Regulation 23 of the Listing Regulations, or

- b. not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Act.

Such related part transaction shall require prior shareholders' approval. In such a case, any member of the Company who is a related party shall not vote on resolution passed for approving such related party transaction.

Provided that requirement of shareholders' approval shall not be applicable for material related party transactions including all material modifications thereto in the following cases:

1. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
2. Transactions entered into between two wholly owned subsidiary of the Company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

Related party transaction to which the listed subsidiary is a party but the Company is not a party, prior approval of the shareholders of a Company shall not be required, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

4. AMENDMENT

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/ or amended to that extent, even if not incorporated in this Policy.

5. REVIEW OF THE POLICY

This Policy will be reviewed by the Board of Directors of the Company at least once in every three years or at such interval as may be prescribed under the Act or SEBI Listing Regulations.

This Policy is amended and approved by the Board on and effective from February 03, 2025