

Policy on Related Party Transactions

SHRI RAM FINANCE CORPORATION PRIVATE LIMITED

PREAMBLE AND PURPOSE

The Board of Directors ("the Board") of Shri Ram Finance Corporation Private Limited (the "Company") has adopted this Policy on Related Party Transactions ("Policy") to regulate the identification, approval, review, ratification and disclosure of transactions between the Company and its Related Parties. The Audit Committee will review and may recommend amendments to this Policy from time to time, subject to the approval of the Board.

This Policy has been framed with reference to the applicable provisions of the Companies Act, 2013 ("the Act"), including Section 177 and Section 188 thereof, and the Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 ("RBI Directions"). This Policy is intended to ensure proper approval, review and reporting of transactions between the Company and its Related Parties, and to ensure adequate systems and procedures to address potential conflicts of interest and compliance with the provisions of the Act.

The Board recognizes that certain transactions present a heightened risk of conflict of interest or the perception thereof. Any dealings with a Related Party must therefore be conducted in such a way that no preferential treatment is given, and adequate disclosures and/or approvals are made or sought as required under Applicable Laws (defined herein) and this Policy.

This Policy has been adopted by the Board based on the recommendations of the Audit Committee. Going forward, the Audit Committee would review and recommend amendments to the Policy, as and when required, subject to the approval of the Board.

DEFINITIONS

1. **"Audit Committee or Committee"** means the Audit Committee of the Board of Directors of the Company;
2. **"Board"** means the Board of Directors of Shri Ram Finance Corporation Private Limited;
3. **"Applicable Laws"** means the Act, the rules made thereunder, the RBI Directions, Accounting Standards issued by the Institute of Chartered Accountants of India or any other body/authority entrusted with the task of issuing such accounting standards, and includes any other statute, law, standard, regulation or governmental instruction relating to Related Party Transactions, as may be in effect from time to time;
4. **"Company Secretary"** means the Company Secretary of the Company;
5. **"Key Managerial Personnel"** means Key Managerial Personnel (KMP) as defined in Section 2(51) of the Act, i.e.:
 - Chief Executive Officer or The Managing Director or The Manager;
 - Whole-Time Director;
 - Chief Financial Officer;
 - Company Secretary;
 - 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; and
 - such other officer as may be prescribed.
6. **"Relative(s)"** shall have the same meaning as assigned to it under Section 2(77) of the Act.
7. **"Related Party"** means any person who is:
 - a related party under Section 2(76) of the Act read with rules issued thereunder;
 - a related party under the applicable Accounting Standards; or
 - any other person or entity covered under Applicable Laws.

As per Section 177 of the Act and rules framed thereunder, the approval of the Audit Committee is required for any transaction of the Company with a Related Party, including any subsequent modification thereof. The Audit Committee may also grant omnibus approval for related party transactions proposed to be entered into by the Company, subject to

such conditions as may be prescribed under the Act and rules framed thereunder, the RBI Directions, and other Applicable Laws.

8. "Related Party Transactions"

As per Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, the following transactions shall be considered "Related Party Transactions":

- 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 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.

9. "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.

10. **Policy:** All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

All terms not defined herein shall take their meaning from the Applicable Laws.

POLICY

A. Procedures for approval and review of Related Party Transactions

Compliance with regard to approval and review of Related Party Transactions pursuant to this Policy, shall be limited to the transactions which are entered into with a related party defined under Section 2(76) of the Act.

1. All Related Party Transactions or changes therein shall be referred for approval by the Audit Committee in accordance with this Policy, including those transactions prescribed under Section 188 of the Act proposed to be entered into in the ordinary course of business and which are on an arm's length basis.
2. Related Party Transactions that are not in the ordinary course of business but are on an arm's length basis shall be approved by the Audit Committee. Where such Related Party Transactions fall under Section 188(1) of the Act, the Audit Committee shall recommend the transaction for approval of the Board.
3. Related Party Transactions that are not on an arm's length basis, irrespective of whether they are covered under Section 188 or not, shall be placed by the Audit Committee, along with its recommendations, before the Board for appropriate action.
4. Minimum information required to be placed before the Audit Committee for approval of a proposed Related Party Transaction shall, without limitation, include the following:
 - (a) the type, nature and particulars of the proposed transaction;
 - (b) the name of the Related Party and the nature of its relationship with, or interest in, the Company;
 - (c) the tenure of the proposed transaction;
 - (d) the value, or estimated value, of the proposed transaction and the manner of determining the price or other consideration;
 - (e) where the transaction relates to any loan, inter-corporate deposit, advance or investment made or given by the Company, the material terms thereof, including tenure, rate of interest, security (if any) and repayment schedule;
 - (f) justification as to why the transaction is in the interest of the Company;
 - (g) a copy of the valuation report or other external expert opinion, if any, relied upon; and

(h) any other information that the Audit Committee may consider relevant.

The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

5. For the ease of carrying out transactions/contracts/arrangements, the Audit Committee may grant omnibus approvals to certain transactions which are of a repetitive nature, provided such approval is in the interest of the Company, based on the following conditions. Such approval shall be valid for a period not exceeding one financial year.
 - (a) Criteria for making the omnibus approval, subject to the approval of the Board, shall include the following:
 - (i) the maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (ii) the maximum value per transaction which can be allowed;
 - (iii) the extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (iv) all Related Party Transactions entered into by the Company pursuant to each omnibus approval shall be reviewed by the Audit Committee on a quarterly basis; and
 - (v) identification of the categories of transactions which shall not be subject to the omnibus approval route, in accordance with paragraph (c) below.
 - (b) The omnibus approval shall contain or indicate such particulars as may be prescribed under the Act and the rules made thereunder for the time being in force.
 - (c) The Audit Committee shall not grant omnibus approval for any transaction which is not permitted to be covered under omnibus approval as per the provisions of the Act and the rules made thereunder.

However, the Company may take omnibus approval for continuing Related Party Transactions based on the decision of the Audit Committee or the Board, as the case may be, from time to time.

6. The Audit Committee shall satisfy itself as to the need for such omnibus approval and that such approval is in the best interest of the Company.
7. Where the need for a Related Party Transaction cannot be foreseen and the 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.
8. Transactions between the holding company and its wholly owned subsidiary shall be governed by the criteria above, unless exempted under Applicable Laws.
9. The Audit Committee shall undertake a quarterly evaluation of Related Party Transactions. If that evaluation indicates that a Related Party Transaction requires the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee shall report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
10. If the Board is of the view that a Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, considering the value of the transaction, the same shall be put up for approval by the shareholders of the Company. The explanatory statement annexed to the notice of the general meeting shall contain the particulars specified under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014..
11. Where, owing to exigencies, a Related Party Transaction has been entered into without being placed for approval by the Audit Committee, a reasoned explanation for the same must be received to the satisfaction of the Audit Committee. The Audit Committee may ratify such transaction, or may put forth the transaction before the Board along with its recommendations, and the Board may either ratify such transaction or seek to avoid the same. The Audit Committee's recommendations may also include appropriate measures authorizing such transactions without the approval of the Audit Committee.
12. If approval of the Board/general meeting for entering into a Related Party Transaction is not feasible, the Related Party Transaction shall be ratified at the Board meeting/general meeting, if required, within 3 months of entering into the Related Party Transaction.

13. No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that such director/Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee/Board.
14. Nothing in this Policy shall override any provisions of Applicable Laws made in respect of any matter stated in this Policy.

B. Determination of Ordinary Course of Business

The transactions which are incurred by the Company in carrying out its main object shall be treated as transactions in the Ordinary Course of Business. For determining "Ordinary Course of Business", the Company shall consider all acts and transactions undertaken by the Company, including, but not limited to, sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, which are done on a routine basis and are not standalone transaction(s). The Company would take into account the frequency of such activity and its continuity, in a normal organized manner, while determining what is in the ordinary course of business.

C. Determination of Arm's Length nature of the Related Party Transaction

"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. In this regard, Transfer Pricing guidelines issued by the relevant authorities under the provisions of the Income-Tax Act, 1961 may be used to determine these criteria on a case-to-case basis.

D. Identification of Potential Related Party Transactions

- (a) The Company Secretary shall:
 - (i) identify and keep on record the Company's Related Parties, along with their personal/company details; and
 - (ii) update the record of Related Parties whenever necessary, and review the same at least once a year.
- (b) Every director/Key Managerial Personnel of the Company or any of their relatives should not derive any undue personal benefit or advantage by virtue of their position or relationship with the Company.
- (c) Every director/Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- (d) Where any director/Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, becomes concerned or interested after the contract or arrangement is entered into, he/she shall disclose his/her concern or interest forthwith when he/she becomes so concerned or interested, or at the first meeting of the Board held after he/she becomes so concerned or interested.
- (e) A contract or arrangement entered into by the Company without disclosure, or with participation by a director/Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the 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 authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

E. Disclosure and Reporting

- (a) The Company shall disclose Related Party Transactions in the Financial Statements and Annual Report of the Company in accordance with the Act, Accounting Standards and other applicable law.
- (b) The Company shall also disclose this Policy on the website of the Company, if any, and in the Annual Report of the Company.
- (c) The Company shall keep one or more registers as specified under Applicable Laws, giving separately the particulars of all contracts or arrangements with any Related Party.
- (d) Details of Related Party Transactions shall be placed before the Audit Committee and the Board periodically, in accordance with this Policy.

Review of the Policy:

1. The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

2. This Policy shall be reviewed and reassessed at least once in every three years, or as and when warranted by any regulatory change or exceptional circumstances, and updated accordingly.

AMENDMENTS

The Company may amend this Policy in case of any change in the legal framework, rules and regulations covered in this Policy. This Policy shall be reviewed by the Audit Committee of the Board as and when required. The Board shall have the power to amend any provision of this Policy, substitute any provision with a new provision, or replace this Policy entirely with a new policy.
