

# POLICY ON DEALING WITH RELATED PARTY TRASACTIONS



**SUMEDHA**  
adding values to value

*Reviewed by the Board in its meeting held on 14<sup>th</sup> May, 2024*

## **POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. PREAMBLE**

The Company always been committed to best corporate governance practices and Policy on Related Party Transactions (hereinafter referred to as “Policy”) is prepared for ensuring compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013 such other regulatory provisions, as maybe applicable.

This Policy on Related Party Transactions (hereinafter referred to as “Policy”) of Sumedha Fiscal Services Limited (hereinafter referred to as “the Company”) and the amendment to this Policy, if any, by the Board of Directors of the Company or any committee thereof shall be effective from the date on which it is notified from time to time.

### **2. PURPOSE**

The Company acknowledges that the Related Party Transactions may have potential or actual conflicts of interests and may raise questions whether such transactions are in consonance with the best interest of the Company & its shareholders. This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] (“Listing Regulations”) and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure, reporting requirements and to set forth the practices & procedures for entering into and dealing with Related Party Transactions, the Board of Directors have adopted this Policy.

This Policy is intended to be in conjunction with the applicable regulatory provisions & other policies of the Company including Code of Conduct.

### **3. DEFINITIONS**

- (a) “Act” means the Companies Act, 2013 and rules made thereunder, as amended from time to time;
- (b) “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.

- (c) "Audit Committee" means the Committee constituted by the Board of Directors of the Company under the applicable provisions of Listing Regulations and Act.
- (d) "Company" means Sumedha Fiscal Services Limited.
- (e) "Key Managerial Personnel ('KMP')" mean key managerial personnel as defined under sub-section (51) of Section 2 of the Companies Act, 2013.
- (f) "Listing Regulations" mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- (g) "Material modification in a related party transaction" means 10% (Ten per cent) or more variation in the threshold limits of approved Related Party Transaction in terms of price, tenure, delivery schedule, non-statutory obligations, terms and conditions or short closure of any contract or arrangement with related party.
- (h) "Material Related Party Transaction" means a transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Further, in addition to the previously mentioned limit following transaction or contract or arrangements amounting to the limits given below will be considered as Material Related Party Transaction –

Sr. No.	Transaction or contract or arrangements for	Limits
1.	Sale, purchases or supply of any goods or materials, directly or through appointment of agent	10% or more of the turnover of the Company.
2.	Leasing of property of any kind	Explanation: The above limit is applicable for the transaction or transactions to be entered into either individually or taken together with the previous transactions during a Financial year.
3.	Availing or rendering of any services, directly or through appointment of agent	

4.	Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent	10% or more of net worth of the Company.  Explanation: The above limit is applicable for the transaction or transactions to be entered into either individually or taken together with the previous transactions during a Financial year.
5.	Appointment of a Related Party to any office or place of profit in the Company, its Subsidiary Company or Associate Company	Monthly remuneration exceeding Rs. 2,50,000/-
6.	Underwriting the subscription of any securities or derivatives thereof, of the Company	Remuneration exceeding 1% of Net Worth of the Company.
<p><i>Note:</i> <i>Turnover and net worth referred in this table shall be computed on the basis of the Audited Financial Statement of the preceding financial year.</i></p>		

- (i) "Policy" means this Policy on Related Party Transactions.
- (j) "Related Party" shall have the meaning as defined in Regulation 2(1)(zb) of the Listing Regulations, including any statutory modification or re-enactment thereof.
- (k) "Related Party Transactions" shall have the meaning as defined in Regulation 2(1)(zc) of the Listing Regulations and Section 188 of the Act, including any statutory modification or re-enactment thereof.

*The words & expressions used in this Policy and not defined hereunder, shall have the same meaning assigned to them in the Listing Regulations and the Act or such other applicable law(s) for time being in force.*

#### **4. IDENTIFICATION OF RELATED PARTIES**

- (a) Each Director / Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or his relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer, in consultation with other members of management and with the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- (b) 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 discussion.
- (c) Where any Director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contractor arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, shall disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- (d) 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 Company.
- (e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matters incidental thereto and to refer it to the appropriate authority for approval.
- (f) Any Director/ Key Managerial Personnel who has been convicted of the offence dealing with RPTs at any time during the last preceding five years shall be disqualified for appointment as Director/ Key Managerial Personnel, as the case may be.

## 5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

### 5.1 Approval of the Audit Committee

5.1.1 In terms of the applicable provisions of the Listing Regulations, following transactions including any subsequent material modification shall require prior approval of the Audit Committee –

- (a) Transaction between the Company or its subsidiary on one hand and a Related Party of the Company or of its subsidiary on the other hand.
- (b) Related Party Transaction to which the subsidiary is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- (c) Transaction by the Company with any other person or entity, the purpose and effect of which is to benefit a Related Party of the Company or its subsidiary.
- (d) Transaction by the subsidiary with any other person or entity, the purpose and effect of which is to benefit a Related Party of the Company or its subsidiary, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- (e) Any other transactions as may be determined by the Board of Directors or shareholders of the Company, from time to time.

*Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.*

The Audit Committee shall mandatorily review statement of significant Related Party Transactions submitted by the Management of the Company.

5.1.2 Provided that approval of the Audit Committee shall not be required for the following Related Party Transactions –

- (a) transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of Listing Regulations are applicable to such listed subsidiary.

- (b) transactions [except those which are specified in Section 188(1) of the Act] 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.
- (c) 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.

### **5.1.3 Omnibus Approval by Audit Committee**

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely –

- (a) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- (b) the omnibus approval shall specify:
  - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
  - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
  - (iii) such other conditions as the audit committee may deem fit:

Provided that where the need for 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 rupees one crore per transaction.

- (c) 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 approvals given.
- (d) omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

## **5.2 Approval of the Board of Directors**

Following Related Party Transactions shall require prior approval of the Board of Directors of the Company:

- (i) Related Party Transactions in which the Directors or the Key Managerial Personnel are concerned or interested.
- (ii) Transactions specified in Section 188(1) of the Act which are not in the ordinary course of business and/or not on arm's length terms.
- (iii) Material Related Party Transactions which are proposed to be placed before the Shareholders for approval.
- (iv) Related Party Transactions where Audit Committee of the Company is of the opinion that the same should be brought before the Board of Directors or if the Board of Directors suo-moto decides to review any such transaction.
- (v) Related Party Transactions for which approval of the Board of Directors is mandatory under any applicable law for time being in force.
- (vi) Any Material Modification to the Related Party Transactions already approved by the Board of Directors.
- (vii) Any other transactions as may be prescribed by the Shareholders from time to time.

### **5.3 Approval of the Shareholders**

- (a) Following Related Party Transactions shall require prior approval of the Shareholders of the Company:
  - (i) Material Related Party Transactions and Material Modifications thereto.
  - (ii) Transactions specified in Section 188(1) of the Act which are not in the ordinary course of business and/or not on arm's length terms; and
- (b) No shareholders of the Company shall vote on the resolution to approve any contracts or arrangements which may be entered into by the Company, if such shareholder is a Related Party.
- (c) Provided that approval of the Shareholders of the Company shall not be required for the following Related Party Transactions:
  - (i) Transactions to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of Listing Regulations are applicable to such listed subsidiary.
  - (ii) Transactions entered into between the Company and its wholly-owned subsidiary whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting for approval.
  - (iii) Transactions entered into between two wholly-owned subsidiaries of the Company whose accounts are consolidated with the



Company and placed before the Shareholders of the Company at the general meeting for approval.

- (iv) Transactions in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized Stock Exchange within one day of the resolution plan being approved.
- (v) Transactions specified under Clause 8 of this Policy, subject to compliance of the applicable provisions of the Act and Listing Regulations.

## **6. CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS**

6.1 The Audit Committee and Board of Directors shall review and consider the following factors while granting approval for a proposed Related Party Transaction:

- (a) the name of the related party and nature of relationship with the Company or its subsidiary;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) 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;
- (g) The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
- (h) In case of transaction with subsidiary, value of proposed transaction in terms of percentage of the subsidiary's annual turnover on standalone basis;
- (i) In case of transaction related to any loan, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary
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  - (i) Details of source of funds in connection with the proposed transaction,
  - (ii) Where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments, then nature of indebtedness, cost of funds and its tenure,

- (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured,
- (iv) if secured, the nature of security, and
- (v) the purpose for which the funds will be utilized by the ultimate beneficiaries of such funds, pursuant to the transaction;
- (j) Justification as to why the transaction is in the interest of the Company;
- (k) A copy of the valuation or other external party's report, if any such report has been relied upon;
- (l) Justification as to why pre-approval was not sought for, if applicable; and
- (m) Any other information relevant or important for taking a decision on the proposed transaction.

6.2. Following information shall be provided in the notice of general meeting by which the approval of shareholders of the Company is sought for a proposed Related Party Transaction –

- (a) A summary of the information specified in Clause 6.1 of this Policy;
- (b) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available at the registered email address of the Shareholders;
- (c) name of the Directors and KMPs who are related, if any;
- (d) Any other information appropriate/ relevant for the Shareholders to take the decision on the proposed transactions.

## **7. RATIFICATION OF RELATED PARTY TRANSACTIONS**

- (a) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under Section 188(1) of the Act owing to paucity of time and also other administrative inconvenience, then such transaction(s) shall be 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.
- (b) Such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders 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.

## **8. TRANSACTIONS NOT TO BE CONSIDERED AS RELATED PARTY TRANSACTION**

8.1 Transactions or arrangements which are specifically dealt in terms of specific provision(s) of the applicable laws and executed under separate procedures/ approvals mechanism shall not be covered under this Policy, including but not limited to the following:

- (a) Any transaction that involves providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, in connection with his or her duties to the Company or any of its subsidiary companies or associate companies, including the reimbursement of reasonable business and/or travel expenses incurred in the ordinary course of business.
- (b) Reimbursement of expenses incurred by a Related Party for business purpose of the Company.
- (c) 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.
- (d) Any transaction which is in the ordinary course of business and on an arms' length basis as determined in terms of this Policy.
- (e) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require approval in advance of the Audit Committee.
- (f) CSR Contribution etc.

8.2 In terms of the applicable provisions of Listing Regulations, following events shall not be considered as Related Party Transactions:

- (a) 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) Following corporate actions by the Company which are uniformly applicable/offered to all the 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

It is clarified that corporate actions by a Related Party which are uniformly applicable/ offered to all the shareholders of such Related Party including the Company, shall also not be considered as Related Party Transactions under this Policy.

## **9. DISCLOSURES**

- (a) Appropriate disclosures as required under the Act and the SEBI Listing Regulations, shall be made by the Company in the Annual Report and to the Stock Exchanges.
- (b) This Policy shall be hosted on the Company's website viz. [www.sumedhafiscal.com](http://www.sumedhafiscal.com) and web-link of the same shall be provided in the Annual Report.
- (c) A summarized statement of all transactions with Related Parties entered during the relevant quarter pursuant to the contracts or arrangements already approved by the Audit Committee/ Board of Directors/ Shareholders (as applicable), shall be placed before the Audit Committee and Board of Directors for their information, review & noting, at each quarterly meeting.

## **10. AMENDMENTS**

In case any provision of this Policy is contrary to or inconsistent with the provisions of the Act, Listing Regulations and/ or any other applicable law for time being in force, the latter shall prevail.

Company Secretary is authorised to modify the provision(s) of this Policy in order to comply with and give effect to any change and amendment notified by Ministry of Corporate Affairs or SEBI in the Act or Listing Regulations or otherwise, from time to time. Further, such updated policy shall be placed before the Audit Committee and Board of Directors for noting and ratification.

The Board of Directors shall periodically review the Policy but not less than once in every three years.

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