



SGROYAL CAPITAL PRIVATE LIMITED

(NBFC – Non -Deposit, Non -Systematic Important)

NAME OF POLICY

- | |
|--|
| • <u>POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS</u> |
| • <u>MANNER TO DEAL WITH RELATED PARTY TRANSACTIONS.</u> |

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❖ POLICY SUMMARY

Name of Policy	<ul style="list-style-type: none"> • Policy on materiality of related party transactions and • To dealing with related party transactions.
Binding Act	Companies Act, 2013
Review Cycle	As and when deemed fit or seems required to change the policy by Management
Approving Authority	Board of Directors - SGROYAL Capital Private Limited
Version	1

Responsibility for Implementation	Company Secretary & Compliance Officer
Vetting done by	Chief Compliance Officer And Chief Financial Officer

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1. Introduction

SGROYAL Capital Private Limited, hereinafter referred to as "the Company," recognizes the importance of related party transactions in the operation and management of the organization. This policy outlines the principles, procedures, and guidelines for dealing with related party transactions to ensure transparency, fairness, and compliance with applicable laws and regulations.

The board of directors (*hereinafter referred as the "Board"*) of SGROYAL Capital Private Limited (*hereinafter referred as the "SGROYAL" or "the Company"*) has adopted the following Policy on materiality of related party transactions and on dealing with related party transactions (*hereinafter referred as the "Policy"*) and considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under.

In light of above, the Company has framed this policy to ensure that related party transactions of the Company are carried out in a transparent manner and to provide guidance in situations of potential conflict of interest and to comply with matters relating to related party transactions.

2. Objective

2.1. The primary objectives of this policy are:

- a. To establish a framework for identifying, evaluating, and approving related party transactions.
- b. To ensure that related party transactions are conducted at arm's length and on terms and conditions that are fair and reasonable to the Company.
- c. To enhance transparency and disclosures regarding related party transactions in financial statements and other relevant documents.
- d. To prevent conflicts of interest, abuse of power, or any potential harm to the Company's interests arising from related party transactions.
- e. To comply with all applicable laws, regulations, and guidelines related to related party transactions, including the Companies Act, 2013, and RBI regulations.

3. Definitions

"Applicable Law" means the Companies Act, 2013 and its amendments thereto, the rules made thereunder ("Companies Act, 2013"), RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 and other circulars as issued time to time by RBI duly applicable on Non – Deposit taking and Non -Systematic Important, Accounting standards as issued by Institute of Chartered Accountants of India, Income Tax Act, 1961 and the rules made thereunder, any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions, as may be in effect from time to time.

"Arm's length transaction" as per the Section 188(1)(b) of Companies Act, 2013, a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"Articles" or **"AOA"** means the Articles of Association of the Company as may be amended from time to time.



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“Board of Directors” or **“Board”** means the Board of Directors of the Company, as constituted from time to time.

“Investor Nominee Director” shall have the same meaning as prescribed to it under the Shareholders Agreement.

“Key Managerial Personnel” or **“KMPs”** means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) The Chief Executive Officer or the Managing Director or the Manager;
- (ii) The Company Secretary;
- (iii) The Whole-time Director;
- (iv) The Chief Financial Officer;
- (v) 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
- (vi) Such other officer as may be prescribed

“Material Related Party Transaction” shall have the same meaning as given to ‘a transaction with a related party shall be considered material’ under the SEBI Listing Regulations or Companies Act, 2013, as amended from time to time.

“Omnibus Approval” In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company and on Arm’s length basis, the Board of Directors may grant an omnibus approval for such Related Party Transactions proposed to be entered into by Company , subject to the following conditions, namely:

- a) The Board of Directors shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) The Board of Directors shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- c) 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 Board of Directors may deem fit;

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, Board of Directors may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- d) The Board of Directors committee shall review, on a yearly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

“Ordinary Course of Business” means the ordinary course of business including but not limited to 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, as applicable, consistent with past practice and compliant with Applicable Laws in all material respects or to the extent required to be taken in compliance with statutory obligations or contractual obligations existing as of the date hereof or entered in accordance with the terms of Shareholders Agreement.



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“**Person(s)**” shall mean an individual, corporation, partnership, limited liability partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“**Policy**” means this policy in relation to Related Party Transactions of the Company.

“**Qualifying Investors**” means as defined in the Article of Association of the company.

“**Related Party**” shall have the same meaning as defined under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards, as amended from time to time.

“**Related Party Transaction**” (“**RPT**”) shall have the meaning as defined under as envisaged in Section 188(1) of the Companies Act, 2013 or as prescribed under the shareholders agreement and such other transactions that qualify as a related party transaction under the applicable Indian Accounting Standards.

“**Relative**” shall have the meaning as defined under Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if –

- a. They are members of a Hindu undivided family;
- b. They are husband and wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother (including step-brother);
- j. sister (including step-sister).

“**Subsequent Material Modification**” will mean and include any modification to an existing related party transaction having variance of 10% (ten percent) of the existing limit as sanctioned by the Board / Shareholders, as the case may be.

“**Shareholders Agreement**” Any other term not defined under this policy shall have the same meaning as defined in the Companies Act, or any other applicable law or regulation or under the Shareholders Agreement.



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4. **Policy**

Identification of Potential Related Party Transactions

Directors and the Key Managerial Personnel (“KMP”) shall be responsible to inform the Company Secretary on appointment and then immediately as & when any change occurs in relationships with related party as defined under Section 2(76) of the Companies Act 2013 as applicable and on annual basis viz. relatives, directorships, holdings, interests and/ or controls etc. It is hereby clarified that such notice by the relevant Director or Key Managerial Personnel shall be sent prior to such Related Party Transaction being approved by the Board of Director in determining to grant approval for the said Related Party Transaction. The Board shall record the disclosure of interest and will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company Secretary shall prepare and maintain the database of Related Parties on the basis of aforesaid information/declaration including any revisions therein.



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4.1. Role of the Board of Directors till Non – Applicability of Provisions of Audit Committee over the company.

All Related Party Transactions and any modifications thereof must be placed before the Board of Directors. All such transactions will be analyzed by the Board to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

4.2. Review and Approval of Related Party Transactions

- (i) To review a Related Party Transaction, the Board will be provided with all relevant material information of the Related Party Transaction and shall specifically cover the following as applicable:
- a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction;
 - d. Value of the proposed transaction;
 - e. Any advance paid or received for the contract or arrangement, if any
 - f. The percentage of company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
 - g. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the company:
 - (i) details of the 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:
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - h. Justification as to why the RPT is in the interest of the company;
 - i. A copy of the valuation or other external party report, if any such report has been relied upon;
 - j. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - k. Any other information relevant or important for the Board of Director to take a decision on the proposed RPT.



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- (ii) In determining whether to approve a Related Party Transaction, the Board will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
- a. whether the terms of the Related Party Transaction are fair and on Arm's Length Basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - b. whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - c. whether the Related Party Transaction would affect the independence of the Directors/ Key Managerial Personnel;
 - d. whether the proposed Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed Related Party Transaction;
 - e. whether the proposed Related Party Transaction is being entered into in the ordinary course of business as required under applicable law; and
 - f. whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board of Directors deems relevant.
- (iii) Each Related Party Transaction should be brought before the Board, then the Committee shall consider and approve (or not approve, as the case may be) the Related Party Transaction and the considerations set forth above shall apply to the Committee's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- (iv) Notwithstanding anything to the contrary contained in this Policy, all the material Related Party Transactions as defined under section 188 of the Companies Act, 2013 and rules made thereunder and subsequent material modifications shall require: (a) prior approval of the shareholders through resolution in accordance with the Companies Act, 2013 and no Related Party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not; and (b) Investors' Consent. (For avoidance of doubt, the term Investors Consent will have the meaning as set out in the Articles of Association of the Company.)
- (v) All Related Party Transactions, which are not in the Ordinary Course of Business and not on Arms' Length Basis shall also require the Investors' Consent as prescribed in the Articles of Association of the company and the approval of the shareholders through resolution as per the requirements of the SEBI Listing regulations and Companies Act 2013.
- (vi) The Board of Directors may decide to get advice, certification, study report, transfer pricing report, rely upon certification issued as per the requirement of other laws etc. from a professional (includes statutory / internal Auditors/ Secretarial Auditors) or technical person including price discovery process, to review transactions with Related Party.



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- (vii) Without prejudice to anything stated above, the Board of Directors shall yearly review and amend the arrangement governing the Related Party Transactions, if required, to ensure compliance with applicable law including but not limited to the arms' length pricing requirements stipulated under the Income Tax Act, 1961 and provisions of Indian Accounting Standard (Ind AS) 24.
- (viii) Without prejudice to anything stated above, no decision of the Board of Directors in relation to a Related Party Transaction shall be granted without the prior Investors' Consent as defined in the Articles of Association of the Company.
- (ix) The Board of Directors may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under section 188 of Companies Act and rules made thereunder, such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year and only in Exceptional Circumstance the said period will not require fresh approval as where at least 02 directors providing the approval in writing to do such transactions.
- (x) The Board of Directors shall review, on a yearly basis, the details of Related Party Transactions and material modifications thereof, entered into by the Company pursuant to the omnibus approval.

4.2.1 Approval of Board of Directors:

- (i) The following Related Party Transactions shall be placed before the Board of Directors for approval:
 - a) Related Party Transactions referred by the Board Members;
 - b) Related Party Transactions not on Arm's Length Basis, and/or;
 - c) Related Party Transactions not in the Ordinary Course of Business.
- (ii) The Board of Directors shall review, approve and recommend all transactions requiring shareholders' prior approval as per the Companies Act, 2013.
- (iii) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- (iv) Following information as applicable shall be placed before the Board to consider and approve the Related Party Transaction:
 - a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction;
 - d. Value of the proposed transaction;
 - e. Any advance paid or received for the contract or arrangement, if any
 - f. The percentage of company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
 - g. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the company:
 - (i) details of the 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:
 - nature of indebtedness;
 - cost of funds; and



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- tenure;
- (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- h. Justification as to why the RPT is in the interest of the company;
- i. A copy of the valuation or other external party report, if any such report has been relied upon;
- j. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- k. any advance paid or received for the contract or arrangement, if any;
- l. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- m. 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
- n. Any other information relevant or important to take a decision on the proposed Related Party Transaction.

4.2.2 Approval of Shareholders:

- (i) The prior approval of shareholders will be taken for the following Related Party Transactions:
 - a) All Material Related Party Transaction and subsequent material modifications pursuant to section 188 of Companies Act, 2013 and no related party shall vote to approve such resolution in terms of applicable laws as on date of such approval.;
 - b) Any Related Party Transaction which is not in the Ordinary Course of Business and/or not on Arm's Length Basis and/or crosses prescribed threshold limit as per Companies Act, 2013 will require prior approval of the shareholders.
- (ii) The explanatory statement to be annexed to the notice of general meeting in this regard shall contain following particulars, inter-alia:
 - a) name of the related party;
 - b) name of the director or key managerial personnel who is related, if any;
 - c) nature of relationship;
 - d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - e) A summary of the information provided by the management to the Board as specified in clause 3.3.1.(ii) above;
 - f) Justification for why the proposed transaction is in the interest of the company;
 - g) 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 through the registered email address of the shareholders;
 - h) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis
 - i) Any other information relevant or important for the members to take a decision on the proposed resolution.

All arrangements with relation to the matters set out above shall be entered into in writing and duly executed by the entities involved.



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- (iii) 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 resolution in the general meeting under sub-section (1) of Section 188 of the Companies Act, 2013 and if it is not ratified by the Board or 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 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 authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (iv) any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction

4.3. Threshold limits for dealing with related party transactions

S. No.	Nature of transaction with a related party	Threshold limit till which related party transaction can be carried out with approval of Board of Directors	Threshold limit till which related party transaction can be carried out with shareholders' approval (*)
1	Sale, purchase or supply of any goods or materials, directly or through appointment of agent	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
2	Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
3	Leasing of property of any kind	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
4	Availing or rendering of any services, directly or through appointment of agent	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
5	Appointment of any agent for purchase or sale of goods, materials, services or property	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
6	Related party's appointment to any office or place of profit in the company, its subsidiary company	Monthly remuneration upto Rs. 2,50,000/- (Two Lakh Fifty	No upper limit



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	or associate company	Thousand)	
7	Underwriting the subscription of any securities or derivatives, thereof, of the Company	Upto 1% (one percent) of net worth.	No upper limit
8	Payment towards brand usage or royalty	Upto 5% of Annual Consolidated Turnover	No upper limit
9	transaction involving a transfer of resources, services or obligations between: (i) the Company on one hand and a related party of the Company on the other hand; or (ii) the Company 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, with effect from April 1, 2023;	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 crores, whichever is lower.	No upper limit

(*) Shareholders reserve the right to specify maximum permissible limit upto which transaction with a respective related party may be carried out in a financial year, in the event whereof such permissible limit will be reckoned as threshold limit for the purpose of this policy.

(**) **Provided that in any case the total amount of all the related party transactions cumulatively taken in any financial year shall not exceed 5% of annual turnover or Rs. 30 (Thirty) Crores, whichever is lower.**

Note:

1. Threshold limit shall be determined per year basis.
2. 'Net worth' or 'Consolidated Turnover' or 'Turnover', wherever specified shall refer to respective figures as per last audited financial statements.

5. **Disclosure**

Disclosure will be made in the Company's Annual Report of the particulars of the transactions/contract / arrangement / modification along with the justification for entering into such transactions/contracts/arrangements / modifications with the Related Parties as a part of Board's Report.

6. **Policy Severable**

- (i) This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any Applicable Law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.
- (ii) This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at <https://www.sgroyalcapital.com>



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7. **Amendment**

In case of any subsequent changes in the provisions of the Companies Act, 2013, which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law. This Policy shall be reviewed by the Board of Directors as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Board of Directors. Any changes or modification on the Policy as recommended by the Stakeholders would be presented for approval of the Board of Directors.

8. **Evaluation Criteria:**

- a. The Board of Directors or authorized officer shall assess related party transactions based on the following criteria:
 - i. Whether the transaction is in the ordinary course of business.
 - ii. Whether the terms and conditions are fair and reasonable.
 - iii. Whether the transaction is in the best interest of the Company.
 - iv. Whether the transaction complies with all applicable laws and regulations.
- b. Any director or officer having an interest in a related party transaction shall recuse themselves from the approval process and shall not participate in discussions or voting on the transaction.

9. **Conclusion**

This Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions is an essential framework for ensuring transparency, fairness, and compliance in related party transactions within SGROYAL Capital Private Limited. Adherence to this policy will help in safeguarding the interests of the Company, its stakeholders, and ensure compliance with all applicable laws and regulations.

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