



**POLICY ON MATERIALITY OF RELATED  
PARTY TRANSACTIONS AND ON DEALING  
WITH RELATED PARTIES**

## BACKGROUND

SATYA Micro Housing Finance Private Limited (Formerly known as Baid Housing Finance Private Limited) (hereinafter referred to as “the Company”/“SMHFPL”) is a Private Limited Company incorporated under the provisions of the Companies Act, 1956 and registered as a Housing Finance Company (“HFC”) with the National Housing Bank (“NHB”).

With the shifting of regulation of HFCs from NHB to RBI, now Reserve Bank of India’s (“RBI”) Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021, shall apply to all HFCs. Therefore, this Policy is prepared in line with the said RBI Master Direction due to the onset of change in regulations for HFCs.

## PREAMBLE

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders.

Considering the same the Board of Directors (the “Board”) of SMHFPL has adopted this Policy on Related Party Transactions and the said Policy includes the threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and other applicable laws rules and regulations if any.

## OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

## DEFINITIONS

“**Arm’s Length Transaction (‘ALT’)**” means a transaction between two related parties that is conducted as if they are unrelated so that there is no conflict of interest.

“**Board or the Board**” means the Board of Directors as defined under the Companies Act, 2013.

“**Company**” means SATYA Micro Housing Finance Private Limited

“**Act**” means Companies Act, 2013.

“**Key Managerial Personnel**” means Key Managerial Personnel as defined under the Companies Act, 2013.

**“Material Related Party Transaction”** means a transaction with Related Party if such transaction(s) to be entered into individually or taken together with previous related party transaction (s) during the financial year, which exceeds the threshold limits prescribed in the Rule 15(3) of The Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time or in any other law, whichever is stricter, from time to time.

**“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum of Association and Articles of Association. The Board may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

**“Reserve Bank of India (RBI) Directions”** means RBI Master Direction-Non-Banking Financial Company-Housing Finance Company (Reserve Bank) Directions, 2021.

**“Relative”** means a relative as defined under sub-section (77) of Section 2 of the Act read with rules made thereunder.

**“Related Party”** means a related party as defined under the sub-section (76) of Section 2 of the Act read with rules made thereunder as amended from time to time, prescribed under the applicable accounting standards and any other person or entity covered under Applicable Laws.

**“Related Party Transactions”** means a transaction as defined in the Section 188(1) of the Act read with rules framed thereunder.

**“Transaction”** means and include single transaction or a group of transactions with related parties.

Any word or expression used but not defined herein shall have the same meaning as assigned to it in the Act.

## **MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

### **a) Identification of related parties**

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules made thereunder and to the extent of any other applicable law, if any.

### **b) Identification of related party transactions**

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act. The Company has also formulated guidelines for

determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.

## REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

### **A. Board of Directors**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for their approval.

The following kinds of transactions with related parties are also placed before the Board for their approval:

- i. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval;
- ii. The Board of the company will determine that whether any transaction is or not in the ordinary course of business and/or at arm's length basis.
- iii. Transactions which are in the ordinary course of business and at arm's length basis, requires Board approval;
- iv. Transactions meeting the thresholds limits, which are required to be placed before the shareholders for approval.

The Board shall review and, if considered appropriate, approve the Related Party Transactions. While considering the Related Party Transactions, the following information shall be presented before the Board:

- (a) The name of the related party and nature of relationship;
- (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; and
- (g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

Board shall give approval for the related party transactions which shall be entered by the company within the below mentioned limits.

### THRESHOLD LIMIT

The threshold limit for entering into related party transactions with the related parties are as follows:

S. No.	Particulars	Limit
1.	Sale, Purchase or Supply of any goods or material, directly or through appointment of agent	Upto Ten percent of the turnover of the company
2.	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Upto Ten percent of the net worth of the company
3.	Leasing of property of any kind	Upto Ten percent of the turnover of the company
4.	Availing or rendering of any services, directly or through appointment of agent	Upto Ten percent of the turnover of the company
5.	Appointment of any related party office or place of profit in the company	Monthly remuneration shall not exceed Rs. 2,50,000/- (Rupees two and a half lakh)
6.	Underwriting the subscription of any securities or derivatives thereof, of the company	Not Exceeding one percent of the net worth

Where if 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.

### B. Shareholders

If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds above mentioned thresholds prescribed under the Act. It shall require shareholders' approval by resolution. 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.

Section 188(1) of the Act provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

### C. Reporting of related party transactions

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy and the Act, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

## RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Board deems appropriate under the circumstances.

## LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Act and/or applicable laws in this regard shall automatically apply to this Policy.

## POLICY REVIEW

The Board of the Company may review this policy from time to time, and as required.