

SATYA MICROCAPITAL LIMITED

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

Version 1.2

2022

Approving Authority	Board of Directors
Recommending by	Audit Committee [Date: August 09, 2022]
Finalized/Reviewed by	Choudhary Runveer Krishanan, CS & CCO
Prepared/Drafted by	Mani Dev Sadh, AVP-Secretarial
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1. Introduction

SATYA MICROCAPITAL LIMITED (hereinafter referred to as “SATYA” or the “Company”) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders’ best interests and in compliance to the provisions of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015”SEBI (LODR)”.

The Audit Committee will review and may amend this policy from time to time subject to the approval of the Board.

The objective of this policy is to regulate transactions between the Company and its Related Parties based on the Companies Act 2013 and other laws and regulations applicable to the Company.

2. Terms and References

“**Act**” means the Companies Act, 2013 together with the rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force.

“**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

“**Board**” means Board of Directors of the Company

“**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 & Articles of Association.

“**Company**” means SATYA MICROCAPITAL LIMITED.

“**Relative**” with reference to a Director or KMP means the person as defined in Section 2(77) of the Act and rules prescribed thereunder.

“**Related Party**” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act or is a related party as defined under Regulation 2(zb) read with Regulation 23 of the SEBI (LODR)

“**Related Party Transactions**” – means and includes the following:

[A] As per Act:

The following class of transactions between the Company and related party will be treated as Related Party Transactions:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) appointment to any office or place of profit in the company, its subsidiary or associate company;
- (g) underwriting the subscription of any securities or derivatives thereof, of the company;

[B] As per SEBI (LODR):

A Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) a Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) a Company or any of its subsidiaries on one hand, and any other person or the Company 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:

Provided that the following shall not be a related party transaction:

- (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 by the Company 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:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);]

“Related Party Transaction(s) of the Company”

Related Party Transaction(s) where the Company is a party to the transaction(s) / contract(s) / arrangement(s) with a related party.

“ Related Party Transaction(s) of the Subsidiary”

Related Party Transaction(s) where the Subsidiary of the Company is a party to the transaction(s) / contract(s) / arrangement(s) with a related party but the Company is not a party.

“Material Related Party Transaction(s)”

Contracts / arrangements with a related party shall be considered as material related party contracts / arrangements if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year under such contracts / arrangements exceed rupees one thousand crore or ten percent of the annual consolidated turnover of the Company whichever is lower as per the last audited financial statement or such sum or limit as may be prescribed under the SEBI (LODR).

“Material Modifications”

Material modifications in relation to the Related Party Transaction(s) shall mean any change / variation / modification in an existing related party transaction / contract / arrangement, the financial effect of which is an increase in the per annum value of the relevant related party transaction / contract / arrangement by 25% or such modifications as may be decided by the Audit Committee.

“Office or place of profit”

As defined in section 188 of the Companies Act 2013

“Subsidiary”

“Subsidiary” means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013 (‘Act’).

“Key Managerial Personnel” shall mean the officers/employees of the Company as defined in Section 2(51) of the Companies Act, 2013

“Employees” shall mean the employees and office-bearers of the Company, including but not limited to Directors

“Director” means a person as defined in Section 2(34) of the Companies Act, 2013

“Audit Committee” means the Committee of the Board formed under section 177 of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013.

All other terms and references used but not defined herein shall have the same meaning as is assigned to them under the Act, the Listing Regulations and rules, regulations, notifications and circulars issued thereunder.

3. Policy

This Policy shall be read and interpreted in line with SEBI (LODR) and Act.

A. Identification of Potential Related Party Transactions

All related party shall inform one month or such other shorter period as may be allowed and considered by Audit Committee on case to case basis before entering into any related party transaction(s) to the Company. It is the duty of every Director and Key Managerial Personnel of the Company to provide with notice in advance of every Related Party Transaction when entered involving him or her or his/her relative to Audit Committee through the Company Secretary, including any additional information about the transaction that the Audit Committee may reasonably request. Audit Committee will determine whether the transaction constitute a related party transaction or not, where required. In case of Related Party Transaction of the Subsidiary Company, any Director and/or the Company Secretary of the Subsidiary shall be responsible to inform the Secretarial department of the Company, if applicable.

B. Approval Process

I. Approval of Audit Committee

1. All related party transactions of the Company and subsequent material modifications thereto, shall require prior approval of the Audit Committee. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

2. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee 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 Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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 Rs.1 crore per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.

3. Approval of Related Party Transactions of Subsidiary of the Company by Audit Committee:

- i. a related party transaction 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 ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- ii. with effect from April 1, 2023, a related party transaction 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 ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

II. Approval by Board of Directors

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board, the Company shall not enter into any contract or arrangement with a related party with respect to :

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of, or buying, property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property; (f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company.

Provided that nothing of the above shall apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.

III. Approval by the Shareholders

1. Except with the prior approval of the company by a special/ordinary resolution, as may be specified from time to time under the Companies Act, 2013 or SEBI (LODR), the Company shall not enter into a transaction(s) with the Related Party, where the transaction(s) to be entered into:

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 of the Companies Act 2013, with criteria as mentioned below –

(i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

(ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind amounting to 10% or more of the net worth of the company or 10% or more of turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the company, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation— It is hereby clarified that the limits specified in sub-clauses (i) to (iv), as above, shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) Is for appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2.5 lakh as mentioned in clause (f) of subsection (1) of section 188;

(c) Is for remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation. - (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

2. Further as per SEBI(LODR), All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not.

Exemption: Approval of the Audit Committee, Board and Shareholder's as the case may be, will not be applicable in the following cases

- Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- Transactions entered into between two wholly-owned subsidiaries of the company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

4. Disclosure

- All Directors/KMP are required to disclose the parties in which they are deemed to be interested in prescribed form.
- Further, each Director and KMP of the Company shall promptly notify the Secretarial Department

of any transaction or Relationship that could reasonably be expected to give rise to a conflict of interest.

- Every related party transaction, if required under law/SEBI(LODR) shall be referred to in the Board's report along with the justification for entering into such contract or arrangement. The Company shall also maintain Register in the prescribed form.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a web-link thereto shall be provided in the Annual Report.
- In case of Related Party Transaction of the Subsidiary Company, any Director and/or the Company Secretary of the Subsidiary Company shall be responsible to inform the Secretarial department of the Company, in case of the Related Party Transactions of the Subsidiary as defined in Regulation 23 of the SEBI LODR.

5. Guidance Principles for approval of a Related Party Transaction by the Board/Committee thereof

To review a Related Party Transaction, the Board/Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other relevant matters. In determining whether to approve or a Related Party Transaction, the Board/Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ✓ Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ✓ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- ✓ Whether the Related Party Transaction would impair the independence of an Independent Director or Nominee of a Director;
- ✓ Whether the Related Party Transaction would present an improper conflict of interest for any Director, Nominee for Director or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, Nominee for Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's Nominee, Executive Officer's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

6. Related Party Transactions not approved under this Policy

Subject to the applicable laws, in the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case where either the Board/Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/Committee has authority to modify or waive any procedural requirements of this Policy.

7. Consequences of non-compliance of such policy for any Related party transaction

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the Employee. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under the Companies Act, 2013.

8. Reporting

The Company shall submit to the stock exchanges disclosures of related party transactions along with its standalone financial results for the half year and publish the same on its website, in the manner and specification as prescribed under the law.

9. Amendment

This Policy will be reviewed as and when required but at least once in three years.