



BELSTAR MICROFINANCE LIMITED

Related Party Transaction Policy

@Reviewed by The Board of Directors on May 09, 2023

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1. SCOPE AND PURPOSE OF THE POLICY

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 requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under. In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. OBJECTIVE OF THE POLICY

This policy is framed based the provisions of the Companies Act, 2013 (“Act”) read with the rules framed there under and in accordance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”) and is intended to ensure the governance and reporting of transaction(s) between the Company and its Related Parties

3. DEFINITIONS

3.1 “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.

3.2 “Associate Company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

For the purposes of this clause, “significant influence” means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement.

3.3 “Company” means Belstar Microfinance Limited

3.4 “High Value Debt Listed Entity” (listed entity) means an entity which has listed its nonconvertible debt securities (‘NCDs’) and has the value of principal outstanding of listed NCDs of Rs. 500 crore and above

3.5 “Key Managerial Personnel” or “KMP” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.

- i. Managing Director or Chief Executive Officer or the Manager and in their absence a whole-time Director;
- ii. Chief Financial Officer.
- iii. Company Secretary; and
- iv. such other officer, not more than one level below the Directors who is in wholetime employment, designated as key managerial personnel by the Board.

3.6 “Material Related Party Transactions” would mean the following:

- i. a transaction with a related party if the transaction/transactions to be entered individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of

the Company or such other limit in terms of the SEBI LODR regulations in force from time to time.

- ii. a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements.

Provided that a transaction with a related party shall be considered material, 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 percent of the annual consolidated turnover of Company as per the last audited financial statements of the Company, whichever is lower (w.e.f. April 1, 2022)

3.7 “Material Modification” of related party transaction will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be (w.e.f. April 1, 2022).

3.8 “Ordinary Course of Business” means transactions that are necessary, normal and incidental to the business, the objects of the Company permit such activity, there is a historical practice and pattern of frequency (not an isolated transaction), has connection with the normal business carried on by the Company.

3.9 “Policy” means Related Party Transaction Policy of the Company.

3.10 “Related Party” means a person or an entity:

- i. which is which is a related party under Section 2(76) of the Companies Act, 2013, as amended from time to time; or
- ii. which is a related party under the applicable accounting standards.
- iii. which is a related party under Regulation 2(1) (zb) of the SEBI LODR Regulations.

Provided that any person or entity forming a part of the promoter or promoter group of the Company or any person or entity, holding equity shares of 20% or more in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year shall be deemed to be a related party (effective from 1st April 2022). The threshold is set to be lowered to 10% w.e.f. 1 April 2023.

3.11 “Related Party Transaction” or “RPT” means transactions as given under clause (a) to (g) of subsection (1) of Section 188 of the Act and the corresponding Rules thereto and as defined in clause (zc) of Regulation 2 of the SEBI LODR Regulations. These include sale, purchase, leasing or supply of goods or property, availing/ rendering of any services, appointment of agents for any of these transactions, underwriting of securities and transfer of resources, services or obligations between the Company and its related party/ies, regardless of whether a price is charged or not.

Further, w.e.f. April 1, 2022 “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand;

Further, w.e.f. April 1, 2023 “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between a listed entity or any of its subsidiaries on one hand, and any other person or entity on the otherhand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries.

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 listed entity 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.

Further the Related Party Transactions approved by other statutory board committees within their terms of reference viz. Nomination & Remuneration Committee, CSR Committee, Risk Management Committee and Stakeholders Relationship Committee, if any, shall be deemed to have approval of the Audit Committee from the RPT perspective and the same need not be approved by the Audit Committee once again. E.g.: 1.Allotment of Shares to KMP by the NRC shall be deemed to have approval of the Audit Committee from RPT perspective.2. Approval of CSR amount etc

3.12 “Relative” as per the Companies Act, 2013, with reference to any person, means anyone who is related to another, if:

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person as:
 - i. Father (including step-father)
 - ii. Mother (including step-mother)
 - iii. Son (including step-son)
 - iv. Son’s wife
 - v. Daughter
 - vi. Daughter’s husband
 - vii. Brother (including step-brother)
 - viii. Sister (including step-sister)

3.13 “Regulation” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

3.16 “Turnover” has been defined as the aggregate value of the realisation of amount made from sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for the Company the ‘Total Income’, i.e., total of interest income and other income, is considered as the ‘turnover’.

Words and expressions used in this Policy shall have the same meanings respectively assigned to them in the following Acts, Rules and Regulations.

- (i) The Companies Act, 2013 or the Rules framed thereunder;
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4. IDENTIFICATION OF RPTs

Each Related Party shall promptly notify of any interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential RPT involving them or their Relative together with additional information about the RPT that the Board or Audit Committee reasonably request.

The Company prefers that notice of any RPT is given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed RPT.

The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy.

5. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

5.1 Approval of the Audit Committee

Every Related Party Transaction and subsequent modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by a resolution by circulation. Further, only those members of the Audit Committee who are independent directors shall approve related party transactions.

The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

Every related party transaction to be entered into by the subsidiary of the Company to which 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:

- (a) With effect from April 1, 2022, 10% of the annual consolidated turnover, as per the last audited financial statements of the Company; or
- (b) With effect from April 1, 2023, 10% of standalone turnover, as per the last audited financial statements of the subsidiary.

However, prior approval of the audit committee shall not be required for a related party transaction to which listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR regulations are applicable to such listed subsidiary;

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to above, the prior approval of the audit committee of the listed subsidiary shall suffice.

The Audit Committee shall be provided such details as may be required to assess the RPTs including the information required to be provided as per the Companies Act, 2013 and SEBI LODR Regulations.

All Related Party Transactions and subsequent modifications shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transaction(s) proposed to be entered into by the company subject to the following conditions:

- (i) The Related Party Transaction proposed to be entered into with the Company must be repetitive in nature and in ordinary course of business and at Arm's Length basis.

(ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

(iii) 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 transaction(s) subject to their value not exceeding Rs.1 crore per transaction.

(iv) 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.

(v) 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.

(vi) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

Transaction(s), other than transactions referred to under Section 188 of the Companies Act, 2013 entered into between holding company and its wholly owned subsidiary or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Holding Company and placed before the shareholders at General Meetings for approval shall not require approval of the Audit Committee.

Any member of the Committee who has a potential interest in any related party transaction will recuse himself and abstain from discussion and voting on the approval of the related party transaction.

Notwithstanding the foregoing the following Related Party Transactions shall not require approval of Audit Committee or shareholders:

(i) Any transaction that involves the providing of compensation to a director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business.

(ii) 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.

5.2 Approval of the Board of Directors of the Company

In case any related party transactions are recommended by the Audit Committee to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length terms, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to the transaction terms as it deems appropriate under the circumstances. A Director, if interested in any Related Party Transaction, shall not be present at the meeting, whether physically or through Electronic mode, during discussions and shall not vote on such item.

5.3. Approval of the Shareholders of the Company

All Material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders through resolution. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR regulations are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require prior approval of the shareholders through resolution, if so required under any law, and the Related Parties shall abstain from voting on such resolution.

Any Related Party Transaction or Material Related Party Transaction if entered into with a Wholly Owned Subsidiary, whose accounts are consolidated with the Company and placed before the shareholders of the Company at General Meetings for approval, shall not require approval of the Shareholders.

Any related party transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval, shall not require approval of the shareholders.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as required under Regulation.

5.4 MATERIALITY THRESHOLDS:

Regulation 23 of SEBI LODR Regulations requires the Company to provide clear threshold limits duly approved by the Board of Directors for related party transactions.

Materiality Thresholds for related party transactions:

The RPTs which crosses the Materiality thresholds as mentioned below shall be entered by the Company only with prior approval of shareholders of the Company through resolution, as per applicable provisions of the Act and the SEBI LODR Regulations, as may be amended from time to time.

1. The Company has fixed its materiality threshold of Rs.1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Regulation 23 (4) of SEBI (LODR) Regulations, 2015, whichever is lower.

2. Any other Related Party Transaction shall be placed before the Shareholders for approval, as per the threshold limits mentioned and in terms of the provisions of Section 188 of the Companies Act, 2013 read with relevant Rules.

6. DISCLOSURE

Details of all material transactions with Related Parties shall be disclosed as part of the Report on Corporate Governance, included in the Annual Report of the Company.

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.

Provided that Company being a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year basis.

The annual report shall include disclosures of transactions of the Company with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results and also Disclosure by Company and its subsidiaries and associates of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.

The Company shall disclose the Policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report

7. REVIEW OF THE POLICY

This Policy shall be reviewed by the Audit Committee 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 Audit Committee, and such changes shall be submitted for approval by the Board.

Sno	Reviewed By	Review Date	Approved by	Approval date
1	Audit Committee		Board of Directors	
