



Together We Make Tomorrow Happen

# Srei Equipment Finance Limited

## Policy on Dealing with Related Party Transactions

Policy on Dealing with Related Party Transactions			
Version	Owner	Approved by	Approval Date
1.0	Secretarial	Board of Directors	10.02.2025



Together We Make Tomorrow Happen

Index

<b>Part</b>	<b>Section</b>	<b>Particulars</b>	<b>Page No.</b>
A	1	About the Company	3
	2	Objective of the Policy	3
	3	Scope & Purpose	3 -4
B	1	Definitions	4 – 7
C	1	Role of the Audit Committee	7
D	1	Identification of Related Party Transactions	8
	2	Ascertaining whether Related Party Transactions are on an Arm's Length Basis	8
	3	Ascertaining whether Related Party Transactions are in the Ordinary Course of Business of the Company	8-9
	4	Approval from the Board and Shareholders	9
E	1	Dissemination of Information by the Company	10
F	1	Compliance	10

## POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

---

### 1. About the Company:

SREI Equipment Finance Limited ('the Company') was registered as a ND SI, and is currently classified as a Middle Layer NBFC registered with the Reserve Bank of India.

### 2. Objective of the Policy:

- 2.1 The objective of this Policy (hereinafter also referred to as "RPT Policy") is to ensure that related party transactions of the Company are carried out in a transparent manner i.e. in ordinary course of business and at arm's length basis as per the applicable provisions of Act (*as defined below*) and other applicable laws. This policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.
- 2.2 This policy has been framed in order to comply with the requirements of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated 19th October 2023 (as may be updated/amended/modified from time to time).
- 2.3 This policy will guide the Company to effectively comply with the provisions of the Act, Indian Accounting standards, Income Tax Act, RBI Directions and such applicable provisions of other statutes as may be put in place, in relation to related party transactions.
- 2.4 This policy will be hosted on the website of the Company and also needs to be disclosed in the Annual Report of the Company.

### 3. Scope and Purpose

During the course of its business, the Company may enter into transactions with various entities. Some of the transactions may qualify to be 'Related Party Transactions' as per the Act, RBI Act and Regulations made thereunder, RBI Directions, Indian Accounting Standards on Related Party Disclosures (IND AS 24), as notified by the Companies (Indian Accounting Standards) Rules, 2015 and amendment thereto. Such transactions are required to be disclosed in the financial statements of the Company, annual report of the Company or such other reports/documents of the Company, as may be prescribed.

This policy shall be applicable for:

1. Identifying related party transactions;



Together We Make Tomorrow Happen

2. Ascertaining whether the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis';
3. Obtaining requisite approvals in relation to any Related Party Transaction(s);
4. Determining the disclosures / compliances to be adhered in relation to the Related Party Transaction(s).

## PART – B

### 1. DEFINITIONS

#### 1.1 Act

Act means The Companies Act, 2013 and rules made thereunder, as amended from time to time.

#### 1.2 Arm's Length Transaction

Explanation (b) to Section 188(1) of the Act defines an "arm's length transaction" to mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

#### 1.3 Associate Company

In terms of Section 2(6) of the Act "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 term 'Associate Company', "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.

#### 1.4 Audit Committee

The term "Audit Committee" means the committee of Board of Directors, the Company constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 and Rules made thereunder.

#### 1.5 Related Party

The term "Related Party" means a related party as defined under sub-section (76) of section 2 of the Act or under the applicable accounting standards as amended from time to time:

The definitions of Related Party under various laws are as under:

Name of Regulation	Definition of Related Party
Companies Act 2013	A person / entity shall be considered as related to the Company if such person/entity is: <ol style="list-style-type: none"> <li>(a) a director or his relative;</li> <li>(b) key managerial personnel or his relative;</li> <li>(c) a firm, in which a director, manager or his relative is a partner;</li> <li>(d) a private company in which a director or manager or his relative is a</li> </ol>



Together We Make Tomorrow Happen

Name of Regulation	Definition of Related Party
	<p>member or director;</p> <p>(e) a public company in which a director or manager is a director and holds along with his relatives, more than 2 % of its paid-up share capital;</p> <p>(f) anybody corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;</p> <p>(g) any person on whose advice, directions or instructions a director or manager is accustomed to act:</p> <p>(nothing in (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity);</p> <p>(h) anybody corporate which is—</p> <ul style="list-style-type: none"> <li>• a holding, subsidiary or an associate company of the Company;</li> <li>• a subsidiary of a holding company to which it is also a subsidiary; or</li> <li>• an investing company or the venture of the Company;</li> </ul> <p>(the investing company or the venture of a Company means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate)</p> <p>(i) a director other than independent director or key managerial personnel of the holding company or his relative.</p>
Ind AS 24	<p>A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').</p> <p>(a) A person or a close member of that person's family is related to a reporting entity if that person:</p> <ul style="list-style-type: none"> <li>(i) has control or joint control over the reporting entity;</li> <li>(ii) has significant influence over the reporting entity; or</li> <li>(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</li> </ul> <p>(b) An entity is related to a reporting entity if any of the following conditions applies:</p> <ul style="list-style-type: none"> <li>(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).</li> <li>(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).</li> <li>(iii) Both entities are joint ventures of the same third party.</li> <li>(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.</li> <li>(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring</li> </ul>



Together We Make Tomorrow Happen

Name of Regulation	Definition of Related Party
	<p>employers are also related to the reporting entity.</p> <p>(vi) The entity is controlled or jointly controlled by a person identified in (a).</p> <p>(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).</p> <p>Close members of the family of a person are the persons specified within meaning of 'relative' under the Companies Act 1956 and that person's domestic partner, children of that person's domestic partner and dependents of that person's domestic partner.</p>

### 1.6 Related Party Transaction ("RPT")

The term "Related Party Transaction" means transactions as defined under the Act or Accounting Standards, as amended from time to time.

The definition of Related Party Transactions under Ind AS 24 is produced below:

Name of Regulation	Definition of Related Party Transaction
Ind AS 24	A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

### 1.7 Ordinary Course of Business

"Ordinary Course of Business" means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') and the Articles of Association ("AoA") of the Company.

### 1.8 Relative

In terms of 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);  
or Sister (including step-sister).



Together We Make Tomorrow Happen

### **1.9 Key management personnel**

Key Managerial Personnel (“KMP” or “Key Managerial Personnel”) means:

- (a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole-Time Director;
- (b) the Company Secretary;
- (c) the Chief Financial Officer; and
- (d) any other person appointed as the KMP by the Board of the Company.

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

## **PART – C**

### **1. Role of the Audit Committee:**

- 1.1 All related party transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant an omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions:
  - (a) The Audit Committee shall, after obtaining approval from the Board, lay down the criteria for granting the omnibus approval in line with this Policy in respect of transactions which are repetitive in nature;
  - (b) The Audit Committee satisfies itself about 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.
- 1.2 Where the need for a RPT cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.
- 1.3 Such omnibus approvals shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of such financial year.
- 1.4 An omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company and/or any other transaction the Audit Committee may deem not fit for omnibus approval.
- 1.5 Further, with respect to related party transactions between a holding company and its wholly owned subsidiary, the requirement for an audit committee approval shall apply only for such transactions as are contemplated under Section 188 of the Act, from time to time.
- 1.6 The Audit Committee shall test each RPT whether or not the same is on arm’s length and done in the ordinary course of business. The Audit Committee will be responsible for overall monitoring and supervision of the RPTs in the Company.



Together We Make Tomorrow Happen

## **PART – D**

### **1. Identification of Related Party Transactions**

Related Party Transactions are required to undergo a detailed analysis before arriving at a conclusion as to its impact as well as the course of action with regard to the approval requirements from the concerned bodies. The Act has laid down procedures for dealing with Related Party Transactions.

The Related Party list shall be updated periodically and shall be reviewed at least once a year, based on the annual disclosures received, if any

### **2. Ascertaining whether Related Party Transactions are on an Arm's Length Basis**

The tests for ascertaining arm's length relationship in case of contracts / arrangements that may be entered into by the Company with its Related Parties could be on the following lines -

- (a) The contracts/ arrangements are entered into with related parties, at such prices/ discounts/premiums and on such terms which are offered to un-related parties of similar category/ profile, if available.
- (b) The contracts/ arrangements have been commercially negotiated.
- (c) The pricing is arrived at as per the guidelines that may be issued by the Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961 as applicable to any of the contract/ arrangements contemplated under the Act.
- (d) The payments to group companies are made in the manner and at such rates prevalent in the market for similar category of goods and services and similar category/ profile of customers.
- (e) Any modification to the original contract/ arrangements is substantially on the same price/discount/ premium and on such terms, as offered to un-related parties of similar category/ profile.
- (f) Such other criteria as may be issued under IND AS 24 or by any other statutory/ regulatory authority.

### **3. Ascertaining whether Related Party Transactions are in the Ordinary Course of Business of the Company**

In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider, in addition to below mentioned aspects, whether such contract / arrangement is germane to attainment of the main objects as set out in its Memorandum of Association or such other activities as may be permitted, from time to time by Reserve Bank of India.





Together We Make Tomorrow Happen

- (a) The Company shall also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.
- (b) Further, whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. A large value transaction should invite closer scrutiny.
- (c) These are not exhaustive criteria and the Company will have to assess each transaction considering its specific nature and circumstances. In case of any confusion, final decision will be taken by the Audit Committee.

#### **4. Approval from the Board and Shareholders**

Prior consent of the Board and shareholders would be taken in respect of all the RPTs as mentioned u/s 188 of the Act, except in following cases:

1. Where the transactions are below the threshold limits specified in the Companies Act, 2013 and Rules made thereunder.
2. Where the transactions are entered into by the Company in its ordinary course of business and are on arm's length basis.
3. 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.
4. Transactions entered into between two wholly-owned subsidiaries of the holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Considering the nature of business of the Company, while approving the related party transactions, entered or to be entered, the total exposure to a particular related party with respect to loans borrowed or disbursed shall be considered excluding any repayments made or to be made thereon. This is to ensure that a particular transaction does not get double counted for aggregation of limits due to repetitive withdrawals pre-repayment, partial settlement and repayments made by the party in ordinary course of business.



Together We Make Tomorrow Happen

## PART – E

### **1. COMPLIANCE**

Every person associated with RPT shall be accountable for complying with this RPT Policy that may be in force from time to time. The Policy shall be reviewed as and when any need arises for the same, however, once in two years it shall be placed for review of Audit Committee and Board of Directors.

## PART – F

### **1. COMPLIANCE**

Every person associated with RPT shall be accountable for complying with this RPT Policy that may be in force from time to time. The Policy shall be reviewed as and when any need arises for the same, however, once in two years it shall be placed for review of Audit Committee and Board of Directors.