

SOBHAGYA MERCANTILE LIMITED

RELATED PARTY TRANSACTION POLICY

1. PREAMBLE

The Board of Directors (the “Board”) of Sobhagya Mercantile Limited (the “Company”), has adopted the policy and procedures with regard to Related Party Transactions as defined below.

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations. The Audit Committee will review and may amend this policy from time to time.

2. PURPOSE

This policy has been framed pursuant to Section 188 of the Companies Act, 2013 (the “Act”) and Rules made thereunder and as per Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and intended to ensure a system of approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

The Company is required to disclose each year in its Financial Statements the transactions entered between the Company and the Related Parties as well as policies concerning transactions with the Related Parties.

3. DEFINITIONS

“**Act**” means the Companies Act, 2013 including any statutory modification(s) or re-enactment(s) thereof;

“**Arm’s Length Basis**” means that the price for a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s Length Basis, guidance may be taken from the provisions of Transfer Pricing under The Income Tax Act, 1961.

“**Audit Committee or Committee**” means a Committee of Board of Directors of the Company constituted under provisions of the Act and the Securities and Exchange Board of India, (Listing Obligations and Disclosure Requirements), 2015.

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

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“**Key Managerial Personnel**” means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013

“**Material modification**” in a related party transaction means any modification related to change in price/value of the transactions which will exceed 25% of the approved transactions for a financial year.

“**Material Related Party Transaction**” means a transaction with a Related Party 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 the listed entity as per the last audited financial statements of the listed entity, whichever is lower; Notwithstanding the above, 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 five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“**Policy**” means this Related Party Transactions Policy

“**Related Party**” means a related party as defined in Section 2(76) of the Act and Regulation 2 (zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 and applicable accounting standards followed in India, as amended from time to time.

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

(i) 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; or

(ii) a listed entity or any of its subsidiaries 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 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 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.

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 recognized stock exchange(s);”

“**Relative**” shall have the meaning assigned to it in Section 2(77) of the Act and the Rules prescribed thereunder and SEBI Listing (Obligations and Disclosure Requirements) Regulations, 2015.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and Listing Regulations as may be amended from time to time shall have the meaning respectively assigned to them therein.

4. POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. However, 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) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

e) Such omnibus approvals shall be generally valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

5. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each director and Key Managerial Personnel are responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

6. PROHIBITIONS RELATED TO RELATED PARTY TRANSACTIONS

All Related Party Transactions shall require prior approval of the Audit Committee. Further, all Material Related Party Transactions and material modifications shall require prior approval of the shareholders through special resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and shall not vote to approve the Related Party Transaction. To review a Related Party Transaction, the 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 to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the 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 and on arm length basis 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 affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputation risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Board was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- 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 overall financial position of the director, Executive Officer or other Related Party, 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/Committee deems relevant.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Board becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

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

9. DISCLOSURE:

Appropriate disclosures as required under the Act and the SEBI LODR will be made in the Annual Report and to the Stock Exchanges.

10. AMENDMENT IN LAW ANY SUBSEQUENT AMENDMENT / MODIFICATION:

Any subsequent amendment / modification in the Listing Regulations and /or applicable laws in this regard shall automatically apply to this policy.