

**SWASTI VINAYAKA ART AND  
HERITAGE CORPORATION LIMITED**

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

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# SWASTI VINAYAKA ART AND HERITAGE CORPORATION LIMITED

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

### **1. INTRODUCTION AND BACKGROUND:**

SWASTI VINAYAKA ART AND HERITAGE CORPORATION LIMITED (the "Company" or "SVART") 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's and its stakeholder's best interests.

This Policy shall be called the 'Policy on Materiality of Related Party Transactions & Dealing with Related Party Transactions' of SWASTI VINAYAKA ART AND HERITAGE CORPORATION LIMITED.

This Policy has been framed as per the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015] and Companies Act, 2013.

### **2. APPLICABILITY:**

This Policy shall be applicable to all transactions between the Company and its Related Parties.

### **3. OBJECTIVE:**

This Policy provides the criteria for determining the materiality of Related Party Transactions. The objective of this Policy is to ensure proper approvals & reporting of the transactions between the Company and its Related Parties in compliance of provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and any other applicable statutory provisions for the time being in force, in this regard.

This Policy shall supplement the existing policies & practices, delegation of powers etc. already approved by the Competent Authority for entering into such Related Party transactions.

#### 4. TERMS AND REFERENCES:

- 4.1. **Act:** Act means the Companies Act, 2013 and Rules made thereunder.
- 4.2. **Arm's Length transaction:** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, as defined in Explanation (b) to Section 188 (1) of the Act.
- 4.3. **Audit Committee:** means "Audit Committee" constituted by the Board of Directors of the Company under the provisions of SEBI (LODR) Regulations, 2015 and Companies Act, as may be amended from time to time.
- 4.4. **Key Managerial Personnel (KMP):** As per the provisions of Section 2(51) of the Act read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, "Key Managerial Personnel", in relation to a company, means-
- (i) the Chief Executive Officer or the managing director or the manager;
  - (ii) the Whole-time director;
  - (iii) the Company Secretary;
  - (iv) the Chief Financial Officer;
  - (v) such other officer, not more than one level below the Directors who is in wholetime employment, designated as key managerial personnel by the Board; and
  - (vi) such other officer as may be prescribed in the Act.
- 4.5. **Related Party:** means a related party as defined under sub-section (76) of section 2 of the Act or under the applicable accounting standards:
- Provided that
- a. any person or entity forming a part of the promoter or promoter group of the Company; or
  - b. any person or any entity, holding equity shares:
    - i. of ten per cent or more in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediately preceding financial year; shall be deemed to be a related party.
- 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);

**4.6. Relative:**

As per Section 2(77) of the Companies Act, 2013, 'relative', with reference to any person, means anyone who is related to another in the following manner: -

- a. as members of a Hindu Undivided Family;
- b. as husband and wife;
- c. Father including the step-father.
- d. Mother including the step-mother.
- e. Son including the step-son.
- f. Son's wife.
- g. Daughter.
- h. Daughter's husband.
- i. Brother including the step-brother.
- j. Sister including the step-sister.

**4.7. Related Party Transaction:**

Section 188 of the Act encompasses all contracts or arrangements 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.

Further as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("Listing Regulations"), "related party transaction" means a transaction involving a transfer of resources, services or obligations between:

- i. The 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. The Company 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 Company 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 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:
- d. acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:
- e. retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

**4.8. 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.

**4.9. 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.

**4.10. Materiality of Related Party Transaction(s)**

4.10.1. 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 lower of rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statement or such sum or limit as may be prescribed under the Listing Regulations.

4.10.2. A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction 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 Company as per the last audited financial statement of the Company.

**4.11. Subsidiary**

As defined under sub-section (87) of section 2 of the Companies Act, 2013 ('Act'), a "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company: -

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause: -

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors;
- (c) the expression "company" includes any Body Corporate;
- (d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

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.

#### **5. MATERIALITY OF RELATED PARTY TRANSACTIONS:**

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 per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, 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, as per the last audited financial statements of the company.

"Material Modification" shall mean:

- i. any modification in the value of a transaction which has an effect of varying the value of a transaction as originally approved by 25% or more; and/or
- ii. any change in the essential terms and conditions of the transactions, as approved by the Audit Committee / Shareholders as the case may be.

Change in the essential terms and conditions of a contract / transaction would mean any of the following:

- The terms of the contract cease to be on an arms' length basis;
- Granting of any waiver, abatement or any other relief to either party, which results into a financial implication equal to 25% or more of the value

of the contract;

- Any novation of the contract or arrangement to a third party.
- Any other modification considered to be material by the Audit Committee.

## **6. POLICY:**

- 6.1. All Related Party Transaction(s) shall be entered on arms' length basis.
- 6.2. In exceptional circumstances, where permitted by law, Related Party Transaction(s) of the Company may deviate from the principle of arm's length, after obtaining approval from Audit Committee, the Board of Directors / Shareholders of the Company, as the case may be.
- 6.3. In exceptional circumstances, where permitted by law, Related Party Transaction(s) of the Subsidiary which exceed the threshold specified in Regulation 23 of the Listing Regulations, may deviate from the principle of arm's length, after obtaining approval from its audit committee and / or board of directors, as the case may be and approval of Audit Committee and Shareholders of the Company, if applicable.
- 6.4. All Related Party Transaction(s) of the Company shall be in compliance with the provisions of the Act, the Listing Regulations, the applicable Accounting Standards and other applicable laws, as amended from time to time.
- 6.5. All domestic related party contracts / arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA of the Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
- 6.6. All international related party contract / arrangements shall comply with International Transfer Pricing Requirement under section 92B of the Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

## **7. APPROVAL:**

- 7.1. All Related Party Transaction(s) of the Company and subsequent Material Modifications thereto, shall require prior approval of the Audit Committee or the Board of Directors or the Shareholders of the Company, as the case may be, as required under and subject to the Act and the Listing Regulations.
- 7.2. All Related Party Transaction(s) of the Subsidiary exceeding the threshold as specified in Regulation 23 of the Listing Regulations and subsequent Material

Modifications thereto, shall require prior approval of the Audit Committee or the Shareholders of the Company, as the case may be.

**8. INFORMATION TO BE FURNISHED FOR SEEKING PRIOR APPROVAL OF THE AUDIT COMMITTEE, BOARD OF DIRECTORS & SHAREHOLDERS IN RESPECT OF RELATED PARTY TRANSACTIONS:**

The Agenda of the Audit Committee and Board Meeting seeking approval in respect of Related Party Transaction shall disclose the following:

- a. Name of the related party and nature of relationship;
- b. Nature, duration of the contract and particulars of the contract or arrangement;
- c. Material terms of the contract or arrangement including the value, if any;
- d. Advance paid or received for the contract or arrangement, if any;
- e. 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.

Further, Explanatory Statement to be annexed to the notice of a general meeting seeking approval of shareholders shall contain the following particulars viz.:-

- a. Name of the Related Party;
- b. Name of the Director or Key Managerial Personnel who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement; and
- e. Any other information relevant or important for the members to take a decision on the proposed resolution.

**9. RATIFICATION OF TRANSACTIONS WITH RELATED PARTIES WHICH WERE ENTERED WITHOUT APPROVAL OF AUDIT COMMITTEE:**

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in

the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- ii. the transaction is not material in terms of the provisions of sub-regulation (1) of regulation 23 of SEBI (LODR) Regulations;
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of regulation 23 of SEBI (LODR) Regulations;
- v. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

#### **10. DISCLOSURES:**

- i. Every Contract or arrangement entered with Related Party with the approval of the Board/shareholders in line with Section 188 of the Companies Act, 2013 are required to be referred in the Board's Report to the shareholders along with justification for entering into such contracts or arrangements.
- ii. The particulars of contracts or arrangements with related parties shall be disclosed in the Board's Report of the Company for every financial year commencing on or after April 1, 2014 in Form AOC-2, pursuant to provisions of Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014.
- iii. Details of all material transactions with related parties shall be disclosed with in prescribed time along with the integrated financial report, for onward submission to Stock Exchanges.
- iv. In terms of SEBI LODR Regulations, 2015 as amended, the Company is required to submit disclosures of related party transactions to the stock exchanges every six months and publish the same on its website. These disclosures must be in the format specified by the Board and submitted within the time specified in the regulations.

- v. This Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.
- vi. Any other disclosures as may be required in accordance with the applicable statutory provisions.

**11. AMENDMENT:**

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

**12. REVIEW:**

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

**13. CLARIFICATION:**

Key Managerial Personnel of the Company are authorized to provide any clarification, if required, on any of the clauses of this Policy.