

## POLICY ON RELATED PARTY TRANSACTIONS

### INTRODUCTION

Varashakti Housing Finance Private Limited ('the Company') is a private limited company incorporated on July 21, 2017 under the Companies Act, 2013 (Corporate Identity Number U65990TN2017PTC117720). The Company is registered as a Housing Finance Company with the National Housing Bank (NHB).

The RBI vide Circular RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021 has prescribed that every Housing Finance Company needs to put in place a Policy on Related Party Transactions and disclose the same on its website and Annual Report. Hence, the Board of Directors ("Board") of the Company has adopted the Policy on Related Party Transactions ("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.

The objective of this Policy is to set out:

- i. Materiality of Related Party Transactions
- ii. Manner of dealing with the transactions between the Company and its Related Parties in accordance to the Companies Act, 2013 and other applicable regulations relating to Related Party Transaction and
- iii. Laying down the mechanism to ensure proper approval, disclosure and reporting of transactions as applicable.

### DEFINITIONS

- 'Act' means the Companies Act, 2013, as amended from time to time.
- 'Arm's Length Transaction' means a transaction between the Company and its Related Party(ies) that is conducted as if they are unrelated, so that there is no conflict of interest.
- 'Board of Directors' or 'Board' means Board of Directors of the Company as constituted from time to time.
- 'Material Related Party Transaction' means 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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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

## **MANNER OF DEALING WITH RELATED PARTY TRANSACTION**

### **Identification of Related Parties and Related Party Transactions:**

Every Director of the Company shall disclose to the Company Secretary of the Company in form MBP-1, at the time of his/her appointment, at the beginning of every financial year and wherever there is any change in the disclosures so made, about all persons, entities, firms, or other organizations in which he/ she is interested, whether directly or indirectly.

If required, the Company may refer any potential Related Party Transaction to any external legal consultant/ expert for obtaining his/ her opinion on any legal/ regulatory issues involved in the potential Related Party Transaction.

### **Approval Mechanism for Related Party Transaction**

**Approval by the Board of Directors of the Company-** All Related Party Transactions shall require prior approval of the Board. The Board shall take into account all relevant facts and circumstances including the terms of the transaction, purpose of the transaction, benefits to the Company, benefit to the Related Party and any other relevant matters while deliberating upon the related party transactions. Any member of the Board who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

The following aspects shall be considered by the Board:

- i. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- ii. 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;
- iii. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction; and
- iv. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company.

The list of indicative information to be provided in relation to the proposed related party transaction (to the extent relevant to the transaction) is as follows:

- i. Name of the Related Party and nature of relationship;
- ii. Nature and duration of the contract/transaction and particulars thereof;
- iii. Material terms of the contract or arrangement or transaction including the value, if any;
- iv. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price/ value and / or material terms of the contract or arrangement including a justification to the proposed variations;

- v. Any advance paid / received or to be paid / received for the contract or arrangement, if any;
- vi. Manner of determining the pricing and other commercial terms, whether or not included as part of contract;
- vii. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any.
- viii. Applicable statutory provisions, if any;
- ix. Valuation reports in case of sale or purchase or leasing/ renting of capital assets or securities;
- x. Justification as to the arm's length nature of the proposed transaction and whether the transaction is in the ordinary course of business.

The related party transactions defined under Section 188 of the Companies Act, 2013 are as under:

- (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.

The provisions of Section 188 of the Companies Act, 2013 shall not be applicable to any transactions entered into by the company in its ordinary course of business and on arm's length basis.

### **Approval by the Members**

All the transactions specified under Section 188 of the Act which (a) are not at arm's Length or not in the ordinary course of business; and (b) exceed the threshold limits laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are to be placed before the shareholders for their approval by way of a Special Resolution. No member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.

**Related party transactions not previously approved**

In the event of any Director, Key Managerial Personnel or any other employee becoming aware of any Related Party Transaction(s) that has been omitted to be approved by the Board/ Members, as the case may be or is in deviation of this Policy, such person shall promptly inform the Company Secretary about such transaction and such transaction shall be placed before the Board or members, as may be required in accordance with this Policy for review and approval.

**Miscellaneous**

- Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- The Policy shall be uploaded on the website of the Company
- The Policy may be reviewed from time to time by the Board.