



# VARTHANA FINANCE PRIVATE LIMITED

**Related Party Transaction Policy  
BR25  
Varthana Finance Private Limited**

varthana

**Registered Office:**

Varasiddhi, 3<sup>rd</sup> Floor, 5 BC-110 Service Road, 3<sup>rd</sup> Block, HRBR Layout, Bangalore - 560 043

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CIN: U65923KA1984PTC096528





# VARTHANA FINANCE PRIVATE LIMITED

## Background

VARTHANA Financial Services Private Limited (hereinafter referred to as the “**Company**”) has adopted the Related party Transaction Policy (“**Policy**”) pursuant to the provisions of the Master Direction (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 (hereinafter referred to as Scale Based Regulations), the Companies Act, 2013 and rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable Indian Accounting Standards issued by The Institute of Chartered Accountants of India as amended from time to time.

## Objective

- The Company has formulated this Policy on materiality of and dealing with Related Party Transactions. This Policy regulates all transactions between the Company and its Related Parties.
- All the transactions shall be considered material if the transactions fall under the criteria mentioned under the Act.
- The Board of Directors of the Company (“**Board**”) on recommendation of the Audit Committee of the Company (“**Committee**”) shall review the Policy on annual basis and may amend the same from time to time.

## Scope

- Identifying related party and related party transactions
- Obtaining approvals before entering into any Related Party Transactions as per the Company Policy of Related Party Transactions, applicable Accounting Standards, the Companies Act, 2013.
- Relevant documentation supporting the related party transactions.
- Determining the disclosures / compliances to be adhered to in relation to the related party transactions as per applicable law.

## Definitions

- “Act” means the Companies Act, 2013 and the rules framed thereunder including any modifications, amendments, clarifications, circulars or re-enactments thereof from time to time.
- “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.
- “Audit Committee” shall have the same meaning as defined under section 177 of the Companies Act, 2013 and RBI Scale Based Regulations.

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- D. “Board” means the Board of Directors of the Company.
- E. “Key Managerial Personnel” means Key Managerial Personnel as defined under section 2(51) of the Act.
- F. “Material Related Party Transaction” If the transaction / transactions to be entered into with the related party individually or taken together with previous transactions during a financial year, exceeds 10% of the Annual Turnover/ Net worth of VARTHANA Private Limited as per the last audited financial statements of the Company or such limits as may be prescribed in the Companies Act, 2013 from time to time.
- G. “Ordinary Course of Business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business. The following factors are indicative of a transaction being in the ordinary course of business:
- The transaction is normal or otherwise unremarkable for the business.
  - The transaction is frequent/regular
  - The transaction is a source of income for the business
  - Transactions that are part of the standard industry practice, even though the Company may not have done it in the past.

These are not exhaustive criteria and the Varthana will have to assess each transaction considering its specific nature and circumstances.

- H. “**Related Party**” means a related party as defined under Section 2(76) of the Companies Act, read with allied Rules, Regulation 2(zb) of the SEBI LODR, and under the applicable accounting standards, as amended from time to time.

**(I) As per Companies Act, 2013**

Section 2(76) of the Companies Act defines “related party”, which with reference to a company, means—

- (i) A director or his relative;
- (ii) A key managerial personnel or his relative;
- (iii) A firm, in which a director, manager or his relative is a partner;

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- (iv) A private company in which a director or manager or his relative is a member or director;
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) Any body 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;
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) Any body corporate which is—
  - A holding, subsidiary or an associate company of such company;
  - A subsidiary of a holding company to which it is also a subsidiary; or
  - An investing company or the venturer of the company;

Explanation—For the purpose of this clause, “the investing company or the venturer 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.

- (ix) Such other person as may be prescribed;

Further, the Companies (Specification of Definition details) Rules, 2014, prescribes that a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company shall also be deemed to be a related party.

As per sub section (77) of Section 2 of the Companies Act, “relative” with reference to any person, means anyone who is related to another, if—

- They are members of a Hindu Undivided Family;
- They are husband and wife; or
- One person is related to the other in such manner as may be prescribed.

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As per rule 4 of the Companies (Specification of Definitions Details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

- Father (Provided that the term “Father” includes step-father)
- Mother (Provided that the term “Mother” includes the step-mother)
- Son (Provided that the term “Son” includes the step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (Provided that the term “Brother” includes the step-brother)
- Sister (Provided that the term “Sister” includes the step-sister)

## **(II) As per SEBI LODR:**

Regulation 2(1)(zb) of SEBI LODR defines the term “related party” as follows:

A related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that following shall be deemed to be a related party:

- Any person or entity forming a part of the promoter or promoter group of the Bank; or
- Any person or any entity, holding equity shares of twenty per cent or more; or of ten per cent or more (with effect from April 1, 2023) in the Bank, either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time during the immediate preceding financial year.

## **(III) As per Accounting Standard 18 (AS-18) Issued by the Institute of Chartered Accountants India:**

Para 10.1 of the AS -18 defines “related party” where parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Further, AS 18 applies to the following related party relationships:

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- Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- Associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- key management personnel and relatives of such personnel;
- enterprises over which any person described in (iii) or (iv) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

**(IV) AS 18 defines ‘Control’ and ‘Significant Influence’ as follows:**

**Control:**

- Ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- Control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- A substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

**Significant influence** - participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

**“Related Party Transactions”**

As per SEBI (LODR), “related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, 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. As per section 188(1) of Act related party transaction will include following specific transactions:

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- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
- Underwriting the subscription of any securities or derivatives thereof, of the company;
- Financing (including loans and equity contributions in cash or kind).

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation and as amended from time to time.

## Identification of Potential Related Party Transactions:

Each director and Key Managerial Personnel shall be responsible for giving notice to the Company about any potential RPTs, he/she may be interested. At the time of entering into any transaction it shall be the responsibility of the Company Secretary to ensure that the transaction is not falling under the category of Related Party as per the declarations already given by the Board of Directors.

The Board of directors and the KMP's shall immediately inform the Company Secretary of the "change in the interest" since the date of declaration, if any.

Further the Company Secretary shall share the "declaration of interest" by the Board of Directors and the KMP's with the accounts department and the head of accounts shall be initiating the payments to any party confirming from the said declarations whether the party is falling under the category of Related Party or not.

If any transaction is identified as the Related Party Transaction, the procedure as contained in the policy shall be observed.

## Procedure for approval of the Related Party Transaction:- Approval of the Audit Committee

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- a) All transactions identified as Related Party Transactions should have prior approval of the Committee before entering into such transaction. The Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval;
- b) Any member of the Committee who has an interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party transaction;
- c) The Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the Act. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year;
- d) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely: -
- Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - The maximum value per transaction which can be allowed;
  - Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
  - Transactions which cannot be subject to the omnibus approval by the Audit Committee.
- e) The omnibus approval shall contain or indicate the following: -
- Name of the related parties;
  - Nature and duration of the transaction;
  - Maximum amount of transaction that can be entered into;
  - The indicative base price or current contracted price and the formula for variation in the price, if any; and
  - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

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- f) Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- g) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- h) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- i) Any other conditions as the Audit Committee may deem fit.
- j) A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, shall be placed before the Committee for ratification;
- k) A Related Party Transaction which is (A) not in the ordinary course of business, or (B) not at arm's length price, would require approval of the Board or of shareholders as discussed subsequently.

### Approval by the Board of Directors:

In case any Related Party Transactions are recommended by the Committee for the approval of the Board due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board shall 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 transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

### Approval by Shareholders

If a Related Party Transaction is (i) a material transaction, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Act, it shall require shareholders' approval by way of a resolution. In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction.

### Post Facto approval

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain

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post facto approval from the Committee, the Board and/or shareholders as required under applicable laws/regulations.

The transactions without prior approval from the Committee, the Board and/or shareholders, shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy.

**Disclosure requirements:****A. Disclosure by Directors:**

Every Director shall at the first meeting of the Board in which he/she participates as a Director and thereafter at the first meeting of the Board in every Financial Year or wherever there is any change in the disclosures already made, then at the first Board Meeting held after such change, disclose his/her concern or interest in any company or companies or bodies corporate, firm, or other association of individuals which shall include the shareholding.

**B. Disclosure on website of VARTHANA:**

VARTHANA shall disclose the policy on dealing with Related Party Transactions on its website and a web-link shall be provided in the Annual Report.

**C. Disclosure in Board's Report:**

Every contract or arrangement entered into by VARTHANA requiring Board's and Company's subsequent approval by way of Ordinary resolution shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

**Consequences of violation of provisions of the Related Party Transactions: -**

- a) Where any contract or arrangement is entered into by a director or any other employee of the company, without obtaining the approval of the **Audit Committee or Board** or shareholders as the case may be, and it is not ratified by the Audit Committee or Board or shareholders within three months from the date of the contract or arrangement, such contract or arrangement shall be voidable at the option of the Audit Committee or Board or shareholders, as the case may be and if such transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify the company against any loss incurred by it:
- b) Without prejudice to anything in the above para, it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

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- c) Any director or any other employee of VARTHANA who had entered into or authorized the contract or arrangement in violation of the provisions of section 188 of the Act, in relation to RPTs shall be liable to penal consequences as described in said section.

## Scope Limitation:

In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules or regulations, the provisions of such Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

## Glossary

Act/Regulations	<ol style="list-style-type: none"> <li>1. RBI Master Direction - Non-Banking Financial Company - Scale Based Regulation Directions, 2023 (updated on 10<sup>th</sup> Oct 2024)</li> <li>2. The Companies Act 2013, Rules made thereunder</li> <li>3. Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015</li> <li>4. Accounting Standard (AS) 18 issued by The Institute of Chartered Accountants of India</li> </ol> <p>Including all amendments, circular issued by the regulatory bodies and made applicable to the Company from time to time</p>
Related Party Transaction	Any transaction shall be considered as related party if it falls within the purview of the Act
Related Party	An entity shall be considered as related if it falls within the purview of the Act

## Version Control

Version	Particulars of Creation / Revisions	Audit Committee Approval Date	Board Adoption date
BR25	Policy on Related Party transactions	11 <sup>th</sup> Feb 2025	12 <sup>th</sup> Feb 2025
BR25	Annual Review; no changes	May 13, 2025	May 14, 2025

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