



VREEDHI FINANCIAL SERVICES PRIVATE LIMITED

RELATED PARTY TRANSACTIONS FRAMEWORK

Introduction:

Related Party Transactions (RPTs) refer to the transactions as defined under section 188 of the Companies Act, 2013 as entered between the company and its related parties defined under section 2(76) & 2(77) of the Companies Act, 2013. 'Framework' shall mean the Board approved Policy on Arm's Length Pricing.

RPTs may represent potential or actual conflicts of interest between the transacting parties and as such needs to determine whether such transactions are in the best interests of the Company and its shareholders. Therefore, this policy has been adopted by the Company to ensure high standards of Corporate Governance and transparency while dealing with such Related Parties and timely identification, approval, disclosure and reporting in compliance with the statutory provisions in this regard.

The Board would review and recommend amendment to the Policy, as and when required.

Definitions:

A. As per Companies Act, 2013:

(i) 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 significant influence and includes a joint venture company.

For the purpose of this clause,

- (a) "Significant Influence" means control of at least 20% of the total share capital or of business decisions under an agreement.
- (b) "Joint Venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

(ii) Body Corporate includes a company incorporated outside India, but does not include;

- A co-operative society registered under any law relating to co-operative societies; and
- Any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf

(iii) Chief Executive Officer means an officer of a company, who has been designated as such by it.

(iv) Chief Financial Officer means a person appointed as Chief Financial Officer of the company.

(v) Control shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholding agreements or voting agreements or in any other manner;

(vi) Holding Company in relation to one or more other companies, means a company of which such companies are subsidiary companies;

(vii) Interested Director means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals, in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company.

(viii) Key Managerial Personnel in relation to a Company, means:

- the Chief Executive Officer or the Managing Director or the Manager;
- the Company Secretary;
- the Whole-time director;
- the Chief Financial Officer;
- such other officer not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- Such other officer as may be prescribed

(ix) Managing Director means a director who, by virtue of the AOA of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of Management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

(x) Related Party with reference to a Company means:

- A Director or his Relative [or]
- Key Managerial Personnel (KMP) or his Relative [or]
- A firm in which a Director / Manager or his Relative is a Partner [or]
- A Private Company in which a Director / Manager is a Member or Director [or]
- A Public Company in which a Director/ Manager is a Director and holds along with his Relatives, more than 2% of its paid-up share capital [or]
- 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 [or]

- Any person on whose advice, directions or instruction (except given in professional capacity) a Director or Manager is accustomed to act [or]
- A Holding/ Subsidiary or an Associate Company of such company [or]
- A subsidiary of a holding company to which it is also a subsidiary [or]
- An investing company or the venture of the company

(xi) 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 following manner:
 - ✚ Father (includes step-father);
 - ✚ Mother (includes step-mother);
 - ✚ Son (includes step-son);
 - ✚ Son's wife;
 - ✚ Daughter;
 - ✚ Daughter's husband;
 - ✚ Brother (includes step-brother) and
 - ✚ Sister (includes step sister).

(xii) Related Party Transaction means the transactions entered directly or indirectly between a Company and its Related Party with respect to:

- 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; and
- underwriting the subscription of any securities or derivatives thereof, of the company:

(xiii) Subsidiary Company in relation to any other company (that is to say the Holding Company), means a company in which the holding company –

- controls the composition of the Board of Directors; or
- exercises or controls more than ½ of the total voting power either at its own or together with one or more of its subsidiary companies;

(xiv) Whole-Time Director includes a director in the whole-time employment of the company.

B. As per AS-18, related party relationships means:

- (I) 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):
- (II) 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
- (III) 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
- (IV) Key Management Personnel and their Relatives
- (V) 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

By virtue of the above definition, the following kinds of entities are covered:

- Two companies simply because they have a director in common, notwithstanding paragraph IV or V above (unless the director is able to affect the policies of both companies in their mutual dealings);
- a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
- the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):
 - a) providers of finance;
 - b) trade unions;
 - c) public utilities;
 - d) government departments and government agencies including government sponsored bodies.

Definitions as per AS-18:

(i) An Associate means an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party

(ii) Control means –

- 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

*An enterprise is considered to have a substantial interest in another enterprise if that enterprise owns directly or indirectly 20% or more interest in the voting power of the other enterprise

*An individual is considered to have a substantial interest in an enterprise, if that individual owns directly or indirectly 20% or more interest in the voting power of the enterprise

(iii) Fellow subsidiary means a company is considered to be a fellow subsidiary of another company if both are subsidiaries of the same holding company

(iv) Holding company means a company having one or more subsidiaries

(v) Joint venture means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control

(vi) Key management personnel mean those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise.

(vii) Related Party means 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

(viii) Relative in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise

(ix) Related Party Transaction means a transfer of resources or obligations between related parties, regardless of whether or not a price is charged

(x) Significant influence means participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

(xi) Subsidiary means a company:

- in which another company (the holding company) holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital; or
- of which another company (the holding company) controls, either by itself and/or through one or more subsidiaries, the composition of its board of directors.

Approval process as per Companies Act, 2013:

- No transaction shall be entered with the related party without the consent of the Board of Directors
- However, for the following transactions, shall be entered into with the shareholders prior approval by way of an Ordinary Resolution:

Nature of Transaction	Threshold Limit
sale, purchase or supply of any goods or materials, directly or through appointment of agent	Amounting to 10% or more of Turnover of the company
selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	Amounting to 10% or more of Net Worth of the company
leasing of property of any kind	Amounting to 10% or more of Turnover of the company
availing or rendering of any services, directly or through appointment of agent	Amounting to 10% or more of Turnover of the company
Appointment to any office or place of profit in the company, its subsidiary company or associate company	At a Monthly remuneration exceeding Rs. 2,50,000/-
Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth

* The turnover or net worth referred above shall be computed on the basis of the audited financial statements of the preceding financial year.

Where any RPT is entered without obtaining the consent of the Board or, as the case may be, by shareholders in the general meeting and the same if not ratified by the Board or by the shareholders within three months from the date on which such RPT was entered into, transaction shall be voidable at the option of the Board or, as the case may be, of the shareholders and if such transaction is with a related party to any director, or is authorised by any other director, the directors concerned shall

indemnify the company against any loss incurred by it.

Exemptions from Approval Process:

- Such 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
- Such transactions entered into by the company in its ordinary course of business other than transactions which are not at arm's length basis

Arm's Length Transaction

The expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

In the absence of any guidelines on Arm's Length Pricing in the Companies Act, 2013, the Company can adopt any reasonable approach or methodology to demonstrate Arm's Length Pricing for the specified RPT identified by them. For example: in case the Company is not doing a similar transaction with any unrelated Party, the terms between two unrelated parties of similar standing for similar transactions, will form the Arm's Length benchmark.

Omnibus Approval on Annual Basis by Audit Committee:

The Audit Committee shall review and approve all RPTs based on this Policy. In case of frequent/regular/repetitive transactions which are in the normal course of business of the Company, the Committee may make omnibus approval on the following conditions:

- **The Audit Committee shall, after obtaining approval of the Board, specify the criteria for making the omnibus approval which shall include the following, namely:**
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) 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;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

➤ **The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:**

- (a) repetitiveness of the transactions (in past or in future);
- (b) justification for the need of omnibus approval.

➤ The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

➤ **The omnibus approval shall contain or indicate the following:**

- (a) name of the related parties;
- (b) nature and duration of the transaction;
- (c) maximum amount of transaction that can be entered into;
- (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
- (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

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.***

- 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
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company
- Any other conditions as the Audit Committee may deem fit.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

Identification of Related Party:

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per ***Annexure I*** containing the following information to the Company on an annual basis:

1. Names of his/her Relatives;
2. Partnership firms in which he/she or his/her Relative is a partner;
3. Private Companies in which he/she is a member or Director;
4. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his/her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he/she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity)

Every Director and the Key Managerial Personnel will also be equally responsible to update the Company of any changes in the aforesaid relationships/directorships/holdings/interests immediately on him/her becoming aware of such changes.

Review and Approval of Related Party Transactions:

All Related Party Transactions shall be subject to the prior approval of the Audit Committee, if any, whether at a meeting or by resolution by circulation or through electronic mode. Otherwise, consent of Board or Shareholders Approval, as the case may be, shall be required.

An interested member of the Committee or Board who has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

Factors to be considered for approval:

While considering any transaction, the Board shall take into account all relevant facts and circumstances 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.

Prior to the approval, the Board shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. 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;

- b. 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
- c. 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, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, 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 Committee deems relevant.

Transactions which are not in the Ordinary Course or not at Arm's Length:

All such RPTs shall require the prior approval of the Board in case the transaction value is less than the threshold limit and shareholders' approval in case the transactional value is in excess of threshold limit.

Related Party Transactions not previously approved [or] ratified:

In the event the Company becomes aware of such Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as they deem fit under the circumstances.

Disclosure and reporting of Related Party Transactions:

- Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.
- The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose:

- the name of the related party and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;

- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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
- any other information relevant or important for the Board to take a decision on the proposed transaction.

➤ The explanatory statement to be annexed to the notice of a general meeting shall contain the following particulars namely:

- name of the related party;
- name of the director or key managerial personnel who is related, if any;
- nature of relationship;
- nature, material terms, monetary value and particulars of the contract or arrangement;
- any other information relevant or important for the members to take a decision on the proposed resolution.

Scope Limitation:

In the event of any conflict between the provisions of this Policy and the Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

Disclosure of information required from Directors as per the Companies Act, 2013

1. List of Relatives

S. No.	Relationship	Name of Relative
1.	Members of a Hindu undivided family	
2.	Spouse	
3.	Father (including step-father)	
4.	Mother (including step-mother)	
5.	Son (including step-son)	
6.	Son's wife	
7.	Daughter	
8.	Daughter's husband	
9.	Brother (including step-brother)	
10.	Sister (including step-sister)	

2. Firm in which you or your relative is a partner

S. No.	Name of the Firm	Interest of self/Relative

3. LLP/HUF in which you are a partner/Karta

S. No.	Name of the LLP/HUF	Nature of Interest

4. Trust/Society in which you are a member

S. No.	Name of the Trust/Society	Nature of Interest

5. Private company in which you are a director or member

S. No.	Name of the Company	Whether Director or Member	No of Shares held	% of shareholding held

6. Private company in which your relative is a director or member

S. No.	Name of the Company	Whether Director or member	Name and relation with relative	No. of Shares held	% of shareholding held

7. Public company in which you are a Director

S. No.	Name of the Company	Designation (Chairman/Managing Director/Whole-time Director/Independent Director/Director)

8. Public company in which you are a Director and you along with your relatives, holds more than 2% of its paid-up share capital

S. No.	Name of the Company	If Member then number of shares along with % shareholding			
		Self	Relative	Total	% of total Shareholding

9. Body Corporate whose Board of directors, managing director or manager is accustomed to act in accordance with your advice, directions or instructions

S. No.	Name of the Body Corporate	Country of Incorporation

10. Any person on whose advice, directions or instructions, you are accustomed to act

S. No.	Name of the Person	Rationale	Country of Residence / Incorporation

11. Body Corporate in which you hold more than two per cent of its paid-up share capital

S. No.	Name of the Body Corporate	Country of Incorporation	No. of Shares held	% of shareholding held

12. Body Corporate in which you along with another Director of a Company hold more than two per cent of its paid-up share capital

S. No.	Name of the Body Corporate	Country of Incorporation	No. of Shares held	% of shareholding held

13. Member of the Committees of the Board

S. No.	Name of Company	Name of Committee	Designation (Chairman/Member)

Note: The term "Body Corporate" here also includes a company incorporated outside India.