



BERAR FINANCE LIMITED

RELATED PARTY TRANSACTIONS POLICY

RECORD OF REVIEW:

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| Document Number | 2 |
| Version Number | 1 |
| Document Classification | External |
| Originally formulated | March 27, 2018 |
| Created by | Compliance Department |
| Reviewed by | Audit Committee |
| Approved by | Board of Directors |

| <u>Version No</u> | <u>Created/Modified Date</u> |
|-------------------|------------------------------|
| 1 | March 27, 2018 |
| 2 | April 23, 2025 |

Related Party Transactions Policy

1. BACKGROUND:

Berar Finance Limited is a Non-Banking Financial Company ("NBFC") having valid Certificate of Registration no. 13.01109 with Reserve Bank of India ("RBI") as Asset Finance Company-Deposit Taking. It falls under the Middle Layer as per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 with more than 30 years of experience in asset finance business.

Founded in 1990, Berar Finance Limited ("Company") is one of the oldest vehicle financing NBFCs in Central and West India with a network of 100+ branches.

The Company is engaged in providing two-wheeler loan, Refinance/Used Vehicle finance, Personal Loan and Secured MSME Loan /Loan against Property (LAP).

2. REGULATORY REQUIREMENT

The Companies Act, 2013 ('the Companies Act' or 'the Act') has introduced sections 177 and 188, which contain provisions regarding related party transactions. These sections, along with the relevant Rules framed under the Companies Act, have introduced certain compliance and approval requirements regarding the related party transactions.

Accordingly, the Board of Directors (the Board) has adopted the following Policy with regard to related party transactions. The Audit Committee of the Company will review this Policy from time to time and propose any modifications to the Board for approval.

3. DEFINITIONS

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

"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 influence and includes a joint venture company.

"Audit Committee" means the Audit Committee constituted by the Board of Directors of the Company in accordance with applicable law and under Section 177 of the Companies Act.

"Board" means Board of Directors of Berar Finance Limited.

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

"Key Managerial Personnel" in relation to the Company means: -

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Company Secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;

- (v) 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
- (vi) such other officer as may be prescribed;

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transaction during the financial year equal to or exceeds the limits as prescribed in Rule 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014 read with Section 188 of the Act.

“Related party” with reference to the Company, means:

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

(A) its holding, subsidiary or an associate company the; or

(B) a subsidiary of a holding company to which it is also a subsidiary;

(C) 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. A director other than an independent director or key managerial personnel of the holding company or his relative with reference to the Company (as per Companies (Meetings of Board and its Power) Rules, 2014);

“Relative”, with reference to any person, means any one who is related to another, if —

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. Father (including step-father);
- iv. Mother (including step-mother);
- v. Son (including step-son);
- vi. Son’s wife;
- vii. Daughter;
- viii. Daughter’s husband;
- ix. Brother (including step-brother); or
- x. Sister (including step-sister).

“Related party transaction” As per Section 188 of the Act, shall mean contracts or arrangements with 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.

Transactions in **“ordinary course of business”** shall mean Transactions with related parties that are entered in the normal and usual course of business and are identical to the business of the Company and carried on generally by the other Non-Banking Financial Companies and shall include:

- i. Transactions covered in the object clauses of the Memorandum of Association and Articles of Association of the Company;
- ii. Transactions which has been done by the Company regularly in last three (3) years;
- iii. Transactions done with a related party on a similar basis as of a third party
- iv. Transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.

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

Key aspects to be considered in evaluating whether a transaction is not in the ordinary course of business:

- i. Whether the transaction is covered in the main objects or object incidental to the main objects as envisaged in the Memorandum of Association;
- ii. Whether a transaction is usual or unusual
- iii. Frequency of transaction;
- iv. Whether transaction is done at arm's length;
- v. Whether transaction is done on similar basis with other third parties;
- vi. Business purpose of the transaction;
- vii. Size and volume of transaction

Identification of Related Party:

Each director and Key Managerial Personnel (KMP) are responsible for providing notice to the Board regarding persons and entities to be considered as “related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage as defined under the Act. Such notice shall be provided to the Company at the time of appointment and also at the time of first board meeting in every financial year and within a period of 30 days whenever there is any change in the disclosures already made.

Terms of the Policy:

- All Related party transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.
- All the Related party transactions proposed to be entered shall require prior approval of the Audit Committee including the transactions to be entered in the ordinary course of business. The Audit Committee shall accordingly recommend the related party transaction for the approval of Board of Directors/ Shareholders as per the terms of this policy.

- All the Related party transactions prescribed under Section 188 of the Act and within the threshold limits prescribed under rule 15 sub rule (3) of Companies (Meetings of Board and its Powers) Rules, 2014, shall along with the Audit Committee Approval shall also require approval of the Board of Directors.
- All the Related Party Transactions exceeding the threshold limits prescribed under rule 15 sub rule (3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of Resolution.

Review and Approval of Related Party Transactions:

All related party transactions will be reported to the Audit Committee for its prior approval in accordance with this Policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this Policy.

Approval by Audit Committee:

- i. All Related Party Transactions including any subsequent modifications thereof will require approval of the Audit Committee as per the provisions of Section 177 of the Companies Act and the rules made thereunder..
- ii. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and/ or voting on the approval of the Related Party Transaction.

A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length basis, would require approval of the Board of Directors and of shareholders as mentioned herein under.

- iii. All related party transactions will require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely:
 1. The Audit Committee, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which will include the following, namely
 - a) Maximum aggregate value of the transactions, that may be entered into under omnibus route during the financial year;
 - b) the maximum value per transaction to be defined ;
 - c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval shall be clearly outlined, including details such as name of the related party, nature and duration of the transaction, and indicative value ;
 - d) The Audit Committee will review, on a quarterly basis, the details of related party transaction entered into by the Company pursuant to each of the omnibus approval given;
 2. The Audit Committee will 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.
 3. The Audit Committee will satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
 4. The omnibus approval will 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.

5. Omnibus approval will be valid for a period not exceeding one financial year and require fresh approval after the expiry of such financial year.
6. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
7. Any other conditions as the Audit Committee may deem fit.

Approval by Board of Directors:

If the Committee determines that a Related Party Transaction should be brought before the Board or a Related Party Transaction is not in the Ordinary Course of Business or not at Arms' Length or is a material related party transaction or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting.

Approval by Shareholders:

If a related party transaction is not at arm's length basis and exceeds certain thresholds prescribed under the Companies Act, it shall require shareholders' approval. 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.

Policy Review:

This Policy shall be reviewed by the Audit Committee/Board at least once in a year. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for approval of the Board.

Compliance Responsibility:

Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company, severally, who shall have the power to ask for any information or clarifications from the management in this regard.