



**IFCI INFRASTRUCTURE
DEVELOPMENT LIMITED**

POLICY ON RELATED PARTY TRANSACTIONS

(Approved by the Board on September 24, 2020)

Policy on Related Party Transactions

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1. Introduction:

This Policy deals with the Related Party Transactions (RPTs) in terms of the Companies Act, 2013 read with Rules made thereunder.

2. Definitions:

"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.

Explanation.—For the purpose of this clause,—

(a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "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;

"Audit Committee or Committee" means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of the Companies Act 2013.

"Board of Director" or **"Board"** means the Board of Directors of IFCI Infrastructure Development Limited, as constituted from time to time.

"Company/IIDL" means IFCI Infrastructure Development Limited.

"Government Company" means any company in which not less than fifty one percent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

"Independent Director" means a director of the Company, as appointed in terms of Section 149 of the Companies Act 2013.

"Key Managerial Personnel" in relation to a 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; and
- (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 prescribed by the Ministry of Corporate Affairs from time to time.

“Policy” means Policy on dealing with Related Party Transactions.

“Related Party” as per the Companies Act, 2013 & Rules made thereunder and Indian Accounting Standards (Ind AS):

(A) As per the provisions of Section 2(76) of the Companies Act, 2013 read with applicable Rules made thereunder:

With reference to the 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;
- (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 2% 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) a holding, subsidiary or an associate company of such company;
 - or
 - (b) a subsidiary of a holding company to which it is also a subsidiary;

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;

For the purposes of sub-clause (ix) of clause (76) of Section 2 of the Act, a director [other than an independent director] or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

(B) As per the provisions of Indian Accounting Standard (Ind AS):

Related Party / Parties are considered to be related if it falls under the definition of related party as defined in clause (9) of the Indian Accounting Standard -24 Related Party Disclosures issued by the Ministry of Corporate Affairs of India.

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

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed.

List of relatives is as prescribed under Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014, as amended from time to time:-

A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (1) Father:
Provided that the term “Father” includes step-father.
- (2) Mother:
Provided that the term “Mother” includes the step-mother.
- (3) Son:
Provided that the term “Son” includes the step-son.
- (4) Son’s wife.
- (5) Daughter.
- (6) Daughter’s husband.
- (7) Brother:
Provided that the term “Brother” includes the step-brother;
- (8) Sister:
Provided that the term “Sister” includes the step-sister.

“Related Party Transactions” A Related Party Transaction is transfer of resources, services or obligations between IIDL and a related party, regardless of whether a price is charged.

Explanation: A “transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

“Control” as per Section 2(27) of the Companies Act 2013 & Rules made thereunder and Indian Accounting Standard (Ind AS):

(A) With reference to the provisions of the Companies Act, 2013

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 shareholders’ agreements or voting agreements or in any other manner.

(B) With reference to the provisions of Indian Accounting Standard

Control means as defined in the Indian Accounting Standard -110 as prescribed by the Ministry of Corporate Affairs of India.

3. Dealing with Related Party Transactions

A. Approvals

I. Approval by Audit Committee

1. All Related Party Transactions (RPTs) (including any subsequent modifications thereof) shall require prior approval of the Audit Committee of Directors.
2. The Audit Committee of Directors may grant omnibus approval for the RPTs proposed to be entered into by the Company

The Conditions for granting Omnibus approval are as under:

All related party transactions shall 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 shall, after obtaining approval of the Board of Directors, 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, on quarterly basis or 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 subjected to the omnibus approval by the Audit Committee.
- (2) 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.
- (3) 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.
- (4) The omnibus approval shall contain or include the following: -
- (a) name of the related parties;
 - (b) nature and duration of the transactions;
 - (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 the 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 shall be valid for a period not exceeding one financial year and shall 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.

II. Approval by Board of Directors

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board, IIDL shall not enter into any contract or arrangement 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:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing contained in the second proviso shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for 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:

Explanation.— In this sub-section,—

(a) the expression "office or place of profit" means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration

to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm,

private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) 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.

III. Approval by Shareholders

1. Except with the prior approval of the company by a resolution, as may be specified under the Companies Act, 2013, IIDL shall not enter into a transaction(s), where the transaction(s) to be entered into,-

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mention below-

(i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property any kind amounting to ten per cent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation.- It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

(2) In case of wholly owned subsidiary, the resolution is passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.

2. All the related parties shall abstain from voting on such resolutions.
3. No Member of the Company shall vote on such Resolution to approve any contract or arrangement which may be entered into by the Company, if such member is a related party.

Proviso:

The above clauses II and III, w.r.t the Approval of Board and Shareholder's, respectively will not be applicable in the following cases:

1. Transactions entered into between 2 Government Companies.
2. 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.

4. Identification of Potential Related Party Transactions

- i. Each Director and Key Managerial Personnel shall be responsible for giving notice to the Company about any potential RPTs, where he/she may be interested.
- ii. In case of any potential RPTs which is being proposed to be entered (including any proposed modifications) by IIDL with its Holding/ Subsidiaries / Associated/ Joint Ventures, the concerned Head of the Department shall be responsible to intimate details of such potential RPTs for seeking approval of the Audit Committee of Directors.

Pre-requisites for entering into Potential Related Party Transactions

A. Audit Committee / Board Level Pre-requisites

IIDL shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

The agenda of the Board/ Audit Committee Meeting, as the case may be, at which the resolution is proposed to be moved shall disclose-

1. The name of the related party and nature of relationship;
2. The nature, duration of the contract and particulars of the contract or arrangement;
3. The material terms of the contract or arrangement including the value, if any;
4. Any advance paid or received for the contract or arrangement, if any;
5. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
6. 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
7. Any other information relevant or important for the Board to take a decision on the proposed transaction.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

B. Shareholders' Level Pre-requisites

For approval of the shareholders, a notice calling the General Meeting will be sent along with the explanatory statement to the Shareholders.

The explanatory statement to be annexed to the notice of a General Meeting convened for approval of the RPTs shall contain the following particulars, namely:—

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

5. Disclosure Requirements

A. Disclosure by Board of Directors

Every Director shall at the first Meeting of the Board in which he participates as a Director and thereafter at the first Meeting of the Board in every Financial Year or whenever there is any change in the disclosures already made, then at the first Board Meeting held after such change, disclose his concern or interest in any company or

companies or bodies corporate, firms, or other association of individuals which shall include the shareholding.

B. Disclosure on Website of IFCI Infrastructure Development Limited

IIDL shall disclose the Policy on dealing with Related Party Transactions on its website.

C. Disclosure in Board's Report

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

6. Consequence of Non-Approval/ Violations of the Provisions of related Party Transactions

- i. Where any contract or arrangement is entered into by a director or a KMP, without obtaining the consent of the Board or approval by a resolution in the general meeting as required and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Audit Committee / Board and if the contract or arrangement is with a related party to any director or a KMP, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- ii. Without prejudice to anything contained in the above para, it shall be open to IIDL to proceed against a director or a KMP 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.
- iii. Any director or any other employee of IIDL, who had entered into or authorized the contract or arrangement in violation of the provisions of section 188 of the Companies Act 2013, in relation to RPTs may be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

7. Review of the Policy

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.
