

Policy on Related Party Transactions

Introduction

This Policy deals with the Related Party Transactions (RPTs) in terms of RBI guidelines, Companies Act, 2013 and other applicable laws prescribing for formulation of RPT Policy.

Definitions

"Associate Company", in relation to another company, means a company in which that other company has 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, "significant influence" means control of at least 20% of total share capital, or of business decisions under an agreement.

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

"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 and RBI Guidelines.

"Board of Directors" or "Board" means the Board of Directors of IFCI Factors, as constituted from time to time.

"Company" means IFCI Factors.

"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 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) Chief Executive Officer or the Managing Director or the Manager;
- ii) Company Secretary;
- iii) Whole-time Director;
- iv) Chief Financial Officer; and

- v) Such other officer of the Company as may be prescribed by the Ministry of Corporate Affairs (MCA) from time to time.

"Policy" means Policy on Related Party Transactions

(A) "Related Party" as per Companies Act 2013 & Rules made thereunder

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which 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 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;
- ix. A director (other than 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 Accounting Standard:

Related Party / 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.

"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 as per Rule 4 of Companies (Specification of Definition Details) Rules, 2014

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

- 1. Father including 'Step-Father'
- 2. Mother including 'Step-Mother'
- 3. Son including 'Step-Son' , Son's wife.
- 4. Daughter including 'Daughter's husband'
- 5. Brother including 'Step-Brother'
- 6. Sister including 'Step-Sister'

"Related Party Transactions" A Related Party Transaction is transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

"Control" as per Companies Act 2013 & Rules made thereunder and Accounting Standard:

(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' agreement or voting agreements or in any other manner.

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

Control has been defined as – (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or

(b) 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

(c) a substantial interest in voting and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

"Joint Ventures" – A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Dealing with Related Party Transactions

A. Approvals

I. Approval by Audit Committee

All Related Party Transactions (including any subsequent modifications thereof) shall require approval of the Audit Committee of Directors. However, the Audit Committee of Directors may grant omnibus approval for the RPTs proposed to be entered into by the Company subject to the following conditions:

i) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval.

ii) 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.

a. The Audit Committee may grant the omnibus approval in line with the policy on Related Party Transactions of the Company.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of Company.

c. Such omnibus approval shall specify:

i. The name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into.

ii. The indicative base price/current contracted price and the formula for variation in the price if any, and

iii. Such other conditions as Audit Committee may deem fit.

d. Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

f. Where the need for RPT 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.

In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the matter shall be reviewed by the Audit Committee.

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, the Company shall not enter into any contract or arrangement with a related party with respect to :

- i. Sale, purchase or supply of any goods or materials;
- ii. Selling or otherwise disposing of, or buying, property of any kind;
- iii. Leasing of property of any kind;
- iv. Availing or rendering of any services;
- v. Appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and Related Party Transactions.

Explanation-

the expression "office or place of profit" means any office or place-

Where such office or place of profit 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;

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;

- vii. Underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that nothing of the above shall apply to any transactions entered into by the Company in its ordinary course of business other than the transactions which are not on an arm's length basis.

(Ordinary Course of Business shall include those business which forms part of the Main Object of the Memorandum of Association of the Company)

III. Approval by Shareholders

1. All the transactions which are in excess of the limits specified in Section 188 of the Companies Act, 2013 and which are not in the ordinary course of business & arm's length basis shall require approval of shareholders by way of Resolution.

However, transactions between two Government Companies are exempted from the aforesaid shareholders approval required under point no.1 above.

2. 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. The Related Party here refers to such Party as may be Related Party in the context of the contract or arrangement for which the approval is required.

However, the following are exempted from compliance of point no.2 above :

- (i) Transactions between two Government Companies ; and
- (ii) Transactions between a holding company and its wholly owned subsidiary company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Identification of Potential Related Party Transactions

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- i. Each director and Key Managerial Personnel shall be responsible for giving notice to the Company about any potential RPTs, he/she may be interested.

Pre-requisites for entering into Potential Related Party Transactions

A. Audit Committee / Board Level Pre-requisites

The Company 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-

- i) The name of the related party and nature of relationship;
- ii) The nature, duration of the contract and particulars of the contract or arrangement;
- iii) The material terms of the contract or arrangement including the value, if any;
- iv) Any advance paid or received for the contract or arrangement, if any;
- v) The manner of determining the pricing and commercial terms, both included as part of contract and not considered as part of the contract;
- vi) 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
- vii) And 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 the approval of 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:-

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;

Transactions not previously approved

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

The Audit Committee or the Board shall consider all relevant facts and circumstances regarding 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 the Audit Committee / the Board deems appropriate under the circumstances.

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 wherever 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, firm, or other association of individuals which shall include the shareholding.

B. Disclosure on Website

The Company shall disclose the policy on 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 the Company under Section 188(1) of the Companies Act, 2013 requiring Board's and Company's subsequent approval by way of Resolution shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

**Non-approval or Related Party Transactions/Violation of
Provision related to 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 shall be voidable at the option of the Audit Committee / Board.
- ii. Without prejudice to anything in the above para, it shall be open to the Company 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.

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