

Policy on Materiality of Related Party Transactions (RPTs) and Dealing with RPTs

In terms of Regulation 23 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and also provisions of the Companies Act, 2013.

(Last Reviewed as on April 16, 2025)

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1. Introduction

This Policy deals with Materiality of Related Party Transactions (RPTs) and dealing with the Related Party Transactions in terms of the Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations) and the Companies Act, 2013.

NOTE: *In case of any change in Regulatory/ Statutory guidelines/ provisions governing the policy, the policy shall stand amended / updated automatically to that extent.*

2. Definitions

1. "Associate Company" – means:

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

Section 2(6) of the Companies Act, 2013 means, 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 purposes of this clause,—

(a) the expression "significant influence" means control of at least twenty percent 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;

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

An enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint-venture of that party.

2. "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 the Regulations.

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

4. "Company" means IFCI Limited.

5. "Control" – means and includes the following:

(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 Accounting Standard (AS)

Control is –

(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 power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

(C) With reference to the provisions of the SEBI Regulations

Control shall have the same meaning as assigned to it under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 {Takeover Regulation}. In terms of the Takeover Regulations, Control includes 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:

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;

6. "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.

7. "Independent Director" means an independent director of the Company, as appointed in terms of Section 149 (6) of the Companies Act 2013 and who also qualifies as Independent Director in terms of the Regulations.

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

9. "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;
- (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;
- (vi) Such other officer of the Company as may be prescribed by the Ministry of Corporate Affairs (MCA) from time to time.

10. "Material Related Party Transaction" means and includes the following:

[A] As per SEBI Listing Regulations: (i.e. SEBI (LODR) 2015)

If the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand crore or 10% of the

Annual Consolidated Turnover of IFCI as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

[B] As per Companies Act, 2013:

As per Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, the material Related Party Transactions are as under:

- (a) (i) Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to 10% 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 10% 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 of any kind amounting to 10% or more of 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 10% 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) 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) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth 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

11. "Policy" means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.

12. "Regulations" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations').

13. "Related Party" means Related Party as per Companies Act 2013 & Rules made thereunder, Accounting Standard and the Regulations, as under:

(A) As per the provisions of 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 and holds is a Director or 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;
- [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 a Company, shall be deemed to be a related party.

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

‘Related Party / Parties’ - A related party is a person or entity that is related to the entity that is preparing its financial statements

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in point (a) above.
 - (vii) A person identified in point (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(C) “Related Party” as per Regulation 2(1)(zb) of the SEBI Listing Regulations:

Shall be considered as related to IFCI if:

- i. Such entity is a related party under section 2(76) of the Companies Act 2013, as applicable from time to time. **OR**
- ii. Such entity is a Related Party under the applicable accounting standards, as applicable from time to time.

'Related Party' as per Regulation 2(1)(zb) of SEBI Listing Regulations shall mean:

- (a) Any person or entity forming a part of the Promoter or Promoter Group of the listed entity; or
- (b) Any person or any entity shall be deemed to be a Related Party who is holding equity shares in the listed entity 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:
 - (i) of 20% or more; or
 - (ii) of 10% or more, w.e.f. April 01, 2023;

14. "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

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:-

- a) Father: Provided that the term "Father" includes step-father.
- b) Mother: Provided that the term "Mother" includes the step-mother.
- c) Son: Provided that the term "Son" includes the step-son.
- d) Son's wife.
- e) Daughter.
- f) Daughter's husband.
- g) Brother: Provided that the term "Brother" includes the step-brother;
- h) Sister: Provided that the term "Sister" includes the step-sister.

15. "Related Party Transactions" – means and includes the following:

[A] As per Companies Act, 2013:

Following class of transactions are referred as Related Party Transactions:

- 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:

[B] As per SEBI Listing Regulations:

"Related Party Transactions" shall be as under:

"Related Party Transaction" means a transaction involving a transfer of resources, services, or obligations between:

- (i) A Listed Entity or any of its Subsidiaries **on one hand** and a Related Party of the Listed Entity or any of its Subsidiaries **on the other hand**; or
- (ii) A Listed Entity or any of its Subsidiaries **on one hand** and any other person or entity **on the other hand**, the purpose and effect of which is to benefit a Related Party of the Listed Entity or any of its Subsidiaries (w.e.f. **April 01, 2023**).

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.

Further, the following class of transactions will not be treated as Related Party Transactions:

- (a) Issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) The following corporate actions which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
 - (i) Payment of Dividend;
 - (ii) Sub-Division or Consolidation of Securities;
 - (iii) Issuance of Securities by way of a Rights Issue or a Bonus Issue; and
 - (iv) Buy-Back of Securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board

- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- (e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors

[C] As per Accounting Standard (AS):

A transfer of resources or obligations between related parties, regardless of whether or not a price is charged.

16. "Standards" mean the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)", issued in consultation with SEBI from time to time.

3. Industry Standards on Minimum Information to be provided for review of Audit Committee and shareholders for approval of a related party transaction.

The standards were formulated in consultation with SEBI. The listed entities are required to follow the same.

I. Applicability of the Standards (w.e.f. July 01, 2025)

- (i) Material RPTs as defined under Regulation 23(1) & (1A) of the SEBI Listing Regulations.
- (ii) Transaction(s) with a related party, where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed lower of the following:
 - (a) 2% of turnover, as per the last audited consolidated financial statements of the listed entity;
 - (b) 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
 - (c) 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.
- (iii) The Standards shall be applicable in respect of RPTs entered into by the Listed Entity, as per the applicability matrix mentioned in the standards and as per the policy.

Applicability Matrix

Type of Transaction	Threshold	Balance Sheet / P&L Items	Approvals required	Disclosure requirement
Material RPT	As provided above in point (i)	Both	Audit Committee + Shareholders	Comprehensive disclosures
Other RPT, but which is with promoter or promoter group or person/ entity in which promoter or	Exceed the threshold provided above in point (ii)	Balance sheet items	Audit Committee	Comprehensive disclosures
		P&L items		Comprehensive disclosures
	Less than the threshold as provided above in point (ii)	Balance sheet items	Audit Committee	Comprehensive disclosures
		P&L items		Limited disclosures

promoter group has concern or interest				
Residual RPT	Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year exceeding ₹1 crore	Both	Audit Committee	Limited disclosures
	Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year less than ₹1 crore			Minimum disclosures

- (iv) The Format for Minimum Information to be provided for review of the Audit Committee for Approval (including ratification) of RPTs, is enclosed as **Annexure**.

After ascertaining the applicability of standards as per the applicability matrix, the RPTs shall accordingly be dealt with.

4. Dealing with Related Party Transactions

I. Approval by Audit Committee

All Related Party Transactions (RPTs) (including any subsequent modifications thereof) shall require prior approval of the Audit Committee of Directors of IFCI.

Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

[A] Scope of Review of Related Party Transactions by Audit Committee:

As per the SEBI Listing Regulations, w.e.f. **April 01, 2022**, all related Party Transactions **[and subsequent material modifications]** shall require prior approval of the Audit Committee.

***'Material Modification'** in any approved Related Party Transaction shall mean any deviation of 25% or more in any of the condition of the Related Party Transactions which have been pre-approved by the Audit Committee of IFCI.*

Following information shall be provided to the Audit Committee of Directors for reviewing any item on Related Party Transactions:

The listed entity shall provide the Audit Committee with the information as specified in the Industry Standards on "Minimum information to be provided for review of the Audit Committee and shareholders for approval of a related party transaction", while placing any proposal for review and approval of an RPT.

The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis. Further, an RPT for which the Audit Committee has granted omnibus approval shall continue to be placed before the shareholders if it is material in terms of regulation 23(1) of the SEBI Listing Regulations.

[B] 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:

(1) The Audit Committee may grant omnibus approval for certain category of related party transactions proposed to be entered into by the Company.

(2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

- Repetitiveness of the transactions (in past or in future);
- Justification for the need of omnibus approval;
- Satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.

(3) The proposal for Omnibus Approval placed before the Audit Committee shall include the following information: -

- Name of the related parties;
- Nature and duration of the transactions;
- The Period of 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:

The Audit Committee may seek any addition information as may be deemed necessary by the Committee while considering the proposal for granting omnibus approval.

(4) In case 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 Rs. 1 crore per transaction.

(5) Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of such one year.

(6) Shareholders' approval of omnibus RPTs approved in an AGM shall be valid upto the date of the next AGM for a period not exceeding fifteen months. In case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

(7) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

(8) Any other conditions as the Audit Committee may deem fit.

(9) A Memorandum on quarterly basis shall be placed before the Audit Committee for review of each omnibus approval granted by the Audit Committee.

Further, the applicable Standards may be referred for obtaining Omnibus Approval from the Audit Committee.

[C] Review of Related Party Transactions by Subsidiary Companies of IFCI by Audit Committee:

W.e.f. April 01, 2022, A Related Party Transaction to which the subsidiary of IFCI is a party but IFCI is not the party, shall require prior approval of the audit committee of IFCI if the value of such transactions whether entered into individually or taken together with previous transactions during a financial year exceeds **10% of the annual consolidated turnover**, as per the last audited financial statements **of IFCI**;

W.e.f. April 01, 2023, A related party transactions to which the subsidiary of IFCI is a party, but IFCI is not the party, shall require prior approval of the Audit Committee of IFCI, if the value of such transactions whether entered into individually or taken together with previous transactions during a financial year, exceeds **10% of the Annual Standalone turnover**, as per the last audited financial statements **of the subsidiary**.

[D] Ratification of Related Party Transactions by Audit Committee:

The members of the Audit Committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the conditions mentioned under Regulation 23(2)(f) of SEBI Listing Regulations. The conditions are:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of Regulation 23(1) of SEBI Listing Regulations;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) of the SEBI Listing Regulations;
- (v) any other condition as specified by the Audit Committee

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

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*** and subject to conditions as may be prescribed by MCA, IFCI 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 nothing of the above shall apply to any transactions entered into by IFCI in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation —

The expression "**office or place of profit**" means any office or place—

- 1) Where such office or place is held by a director, if the director holding it receives from IFCI 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;
- 2) 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 IFCI anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

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 from time to time under the Companies Act, 2013 or SEBI Listing Regulations, IFCI shall not enter into a transaction(s) with the Related Party, 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 of the Companies Act 2013, with criteria as mentioned below -
- (i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% 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 10% 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 of any kind amounting to 10% or more of 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 10% 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-clauses (i) to (iv), as above, 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 Rs.2.5 lakh as mentioned in clause (f) of subsection (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:

The Turnover or Net Worth referred above shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

In case of a wholly owned subsidiary, the resolution, as the case may be passed by the IFCI shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and IFCI.

2. Further, as per SEBI Listing Regulations, w.e.f. **April 01, 2022**, a transaction with a related party shall be considered material, if the transaction(s) to be entered into

individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of IFCI as per the last audited financial statements of the listed entity, whichever is lower.

3. All Material Related Party Transactions and subsequent 'Material Modifications' as defined above shall require prior approval of the shareholders through resolution (as may be applicable from time to time) and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not
4. All the related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

5. Following Information shall be provided to shareholders for consideration of agenda on Related Party Transactions as under:

The notice being sent to the shareholders seeking approval for any Material RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as part of the explanatory statement, as specified in the Industry Standards on "Minimum information to be provided for review of the Audit Committee and shareholders for approval of a related party transaction:

- (a) Information as placed before the Audit Committee in the format as specified in Para 4 of the Standards, to the extent applicable and as per the Annexure to the policy.
- (b) The Audit Committee can approve redaction of commercial secrets and such other information that would affect competitive position of listed entity from disclosures to shareholders. Further, the Audit Committee shall certify that, in its assessment, the redacted disclosures still provide all the necessary information to the public shareholders for informed decision-making.
- (c) Justification for why the proposed transaction is in the interest of IFCI;
- (d) Statement of assessment by the Audit Committee that relevant disclosures for decision making were placed before them, and they have determined that the promoter(s) will not benefit from the RPT at the expense of public shareholders.
- (e) Disclose the fact that the Audit Committee had reviewed the certificate provided by the CEO or CFO or any other KMP as well as the certificate provided by the promoter directors of the Listed Entity as required under Para 3(2)(b) of the Standards.
- (f) Copy of the valuation report or other reports of external party, if any, considered by Audit Committee while approving the RPT.

- (g) In case of sale, purchase, or supply of goods or services [as provided in B(2) in the format as specified in Para 4 of the Standards], or the sale, lease, or disposal of assets of a subsidiary, unit, division, or undertaking of the listed entity [as provided in B(7) in the format as specified in Para 4 of the Standards], if the Audit Committee has reviewed the terms and conditions of bids from unrelated parties then such fact shall be stated. In case bids have not been invited, the fact shall be disclosed along with the justification thereof, and in case comparable bids are not available, state the basis for recommending that the terms of the RPT are beneficial to the shareholders.
- (h) Comments of the Board/ Audit Committee of the listed entity, if any.
- (i) Any other information that may be relevant.

Exemption:

Approval of Board and Shareholder's, will not be applicable in the following cases:

- ❖ Transactions entered into between 2 Government Companies.
- ❖ 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.

Approval of Audit Committee will not be required in in the following case:

- (a) Transactions entered into between two public sector companies
- (b) 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.
- (c) Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- (d) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (e) Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

(f) Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms of the provisions of Regulation 23(1) of the SEBI Listing Regulations.

5. 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 IFCI with its Subsidiaries / Associated/ Joint Ventures, the Head of the Subsidiaries and Associates Department shall be responsible to intimate details of such potential RPTs for seeking approval of the Audit Committee of Directors.

6. Disclosure Requirements

A **Disclosure by Board of Directors, KMP and Senior Management**

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.

Every **KMP** shall disclose to the Board of Directors, whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting IFCI.

Every **Member of Senior Management** shall make disclosures to the Board of Directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

Explanation- For the purpose of above:

"Conflict of Interest" relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.

"Senior Management" shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager

(including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

B Disclosure in Corporate Governance Report

Details of all Material Transactions with Related Parties shall be disclosed quarterly along with the compliance report on Corporate Governance to be submitted to the Stock Exchanges where the securities of IFCI are listed.

C Disclosure on Website of IFCI Limited

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

D Disclosure in Board's Report

Every contract or arrangement entered into by IFCI 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.

E Disclosure to Stock Exchanges

The Company is required to submit information related to RPTs to the stock exchanges every six months, in the format and manner as specified by SEBI from time to time.

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

Non-approval of Related Party Transactions/ Violation of provisions 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 requisite approval by shareholders 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 Board or, as the case may be, of the shareholders and if the contract or arrangement 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.
- ii. Without prejudice to anything contained in the above para, it shall be open to IFCI to proceed against a director or any other employee 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 IFCI, who had entered into or authorized the contract or arrangement in violation of the provisions of section 188 of the Companies Act 2013 or Listing Regulations, shall be punishable as per the applicable provisions of Companies Act or Listing Regulations.
