

Policy on Related Party Transactions

Last reviewed by Board of Directors on July 18, 2017



India InfraDebt Limited

Policy on Related Party Transactions – India Infradebt Limited

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1. Background

Section 188 of the Companies Act, 2013 ('Companies Act' or 'the Act') provides compliance and approval requirements regarding the related party transactions.

This policy aims to regulate transactions between India Infradebt Limited (Infradebt) and its related parties based on the applicable provisions of the Companies Act and its underlying Rules. It intends to define a framework for proper approval and reporting of transactions between Infradebt and its related parties.

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

2. Definitions

(i) Key Managerial Personnel (KMP)

KMP means –

- a. the Chief Executive Officer or the Managing Director or the Manager;
- b. the Company Secretary;
- c. the Whole - Time Director(s);
- d. the Chief Financial Officer;
- e. such other officer as may be prescribed under Section 2(51) of the Companies Act, 2013.

(ii) Related Party

As per sub-clause (76) of sections 2 of the Act, Related Party means:

- a. a director or his relative;
- b. a key managerial personnel (KMP) or his relative;
- c. a firm, in which a director, manager or his relative is a partner;
- d. a private company in which a director or manager or his relative is a member or director;
- e. 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;
- f. 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;
- g. any person on whose advice, directions or instructions a director or manager is accustomed to act:

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Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- h. any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary;
- i. a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company (as per Companies (Meetings of Board and its Powers) Rules, 2014);

(iii) Related Party Transactions

Related Party Transactions means any transactions directly or indirectly with Related Parties and it also includes Transactions as specified under clause (a) to (g) of sub-section (1) of Section 188 of the Companies Act, 2013 which are as follows:

- 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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

3. Guiding Standards

(i) Arm's Length Transaction

As per the explanation given in Section 188 of the Act, 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 view of the above, a transaction with a related party will be considered to be on arm's length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.

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(ii) Ordinary course of business

Ordinary Course of Business includes but not limited to activities that are undertaken in the normal day-to-day operations of Infradebt and are necessary and incidental to the business. These are common practices and customs of commercial transactions. It also includes usual transactions, customs and practices related to the business.

These are not exhaustive criteria and Infradebt will have to assess each transaction considering its specific nature and circumstances.

4. Approval Process for Related Party Transactions

(i) Approval of the Audit Committee

- a) All the related party transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

Any Director having a potential interest in any related party transactions will not participate in discussions and voting on the approval of the related party transactions.

- b) The Audit Committee may make omnibus approval for related party transactions proposed to be entered into by Infradebt subject to the following conditions, namely:-

- 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:-
 - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - the maximum value per transaction which can be allowed;
 - extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by Infradebt pursuant to each of the omnibus approval made;
 - 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: -
 - repetitiveness of the transactions (in past or in future);
 - 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 Infradebt.

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- The omnibus approval shall contain or indicate the following: -
 - name of the related parties;
 - nature and duration of the 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:

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 Infradebt.
- Any other conditions as the Audit Committee may deem fit.

(ii) Approval of the Board of Directors

Upon approval by the Audit Committee, Related Party Transactions as specified under clause (a) to (g) of sub-section (1) of Section 188 of the Act, which are either not in the Ordinary Course of Business or not at the Arms' Length, require prior approval of the Board.

Any Director having a potential interest in any related party transactions will not participate in discussions and voting on the approval of the related party transactions.

(iii) Approval of the Shareholders of Infradebt

Upon approval by the Audit Committee and Board, if the transaction exceeds the thresholds laid down in Companies (Meeting of Board and its Power) Rules, 2014, the same should be placed before the shareholders for their approval by way of a special resolution.

However, the requirement of shareholders' approval shall not be applicable for transactions entered into between Infradebt and its wholly owned subsidiary (if any) whose accounts are consolidated with Infradebt and placed before the shareholders at the general meeting for approval.

No shareholder of Infradebt shall vote on such resolution, to approve any transaction which may be entered into by Infradebt, if such member is a Related Party, in the context of the Related Party Transaction for which the said resolution is being passed.

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5. Treatment of Related Party Transactions which did not take prior approval under this Policy

In the event Infradebt becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to Infradebt, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate. In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy. This Policy will be communicated to all operational employees and other concerned persons of Infradebt.

6. Reporting of related party transactions

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.