

IFCI VENTURE CAPITAL FUNDS LIMITED

RPT POLICY

INDEX

S.No.	Particulars	Page No.
1.	Introduction	2
2.	Definitions	3
3.	Dealing with Related Party Transactions	7
4.	Identification of Potential Related Party Transactions	12
5.	Pre-requisites for entering into Potential related Party Transactions	13
6.	Disclosure Requirements	15
7.	Consequence of Non-Approval/Violations of the Provisions of Related Party Transactions	16

Introduction

This Policy deals with Materiality of Related Party Transactions (RPTs) and dealing with the Related Party Transactions in terms of the RBI guidelines, which states that the Company shall formulate a Policy on material transactions with Related Parties and also on dealing with RPTs.

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.

"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 Venture, as constituted from time to time.

"Company" means IFCI Venture Capital Funds Limited (IFCI Venture).

"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 of the Company as may be prescribed by the Ministry of Corporate Affairs (MCA) from time to time.

“Material Transaction” If the transaction / transactions to be entered into individually or taken together with previous transactions to be entered individually or to be taken together with previous transactions during a financial year, exceeds 10% of the **Annual Consolidated Turnover** of IFCI Venture as per the last audited financial statements of the Company.

“Policy” means Policy on materiality of Related Party Transactions and dealing with Related Party Transactions.

“Related Party” as per Companies Act 2013 & Rules made thereunder and Accounting Standard:

(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 is a member or director;
- (v) a public company in which a director or manager 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;

A 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 chapter I

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:

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 IFCI Venture and a related party, regardless of whether or not a price is charged.

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

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

"Joint Venture" – 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

1. All Related Party Transactions (including any subsequent modifications thereof) shall require prior 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:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of IFCI Venture and such approval shall be applicable in respect of transactions which are repetitive in nature.

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

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 IFCI Venture 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.

Proviso:

The above clause will not be applicable in the following cases:

- i. Transactions entered into between 2 Government Companies.
- ii. 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: All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

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***, IFCI Venture 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 Related Party Transactions.
- (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 Venture in its ordinary course of business other than 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}

Explanation-

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

Where such office or place is held by a director, if the director holding it receives from IFCI Venture 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 IFCI Venture 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 special resolution, IFCI Venture shall not enter into a transaction or transactions, where the transaction or transactions to be entered into-

- (a) as contracts or arrangements with respect to clause(a) to (e) of subsection (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, exceeding 10% of the turnover of the company or rupees one hundred crore, whichever is lower, 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, exceeding ten percent of the net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

- (iii) leasing of property of any kind exceeding ten percent of the net worth of the company or ten per cent of turnover of the company or rupees one hundred crore, whichever is lower, 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, exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Explanation- It is hereby clarified that the limit specified in sub-clauses (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 half lakh rupees 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 one per cent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:- (1) The Turnover of 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 a wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

2. All Material RPTs shall require approval of the shareholders through Special Resolution and the related parties shall abstain from voting on such resolutions.

3. No Member of IFCI Venture shall vote on such Special 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 clause will not be applicable in the following cases:

- (i) Transactions entered into between 2 Government Companies.
- (ii) 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.

Identification of Potential Related Party Transactions

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 in which 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 Venture with its Holding/ Associates/ Joint Ventures, the Management of the Company shall be responsible to intimate details of such potential RPTs to the Audit Committee of Directors.

Pre-requisites for entering into Potential Related Party Transactions

A. Audit Committee/ Board Level Pre-requisites

IFCI Venture 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-

- (a) The name of the related party and nature of relationship;
- (b) The nature, duration of the contract and particulars of the contract or arrangement;
- (c) The material terms of the contract or arrangement including the value, if any;
- (d) Any advance paid or received for the contract or arrangement, if any;
- (e) The manner of determining the pricing and commercial terms, both included as part of contract and not considered as part of the contract;
- (f) 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
- (g) 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 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:-

- (a) Name of the Related party ;
- (b) Name of the Director or Key Managerial Personnel who is related, if any;
- (c) Nature of relationship;
- (d) Nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) Any other information relevant or important for the members to take a decision on the proposed resolution;

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 of IFCI Venture

IFCI Venture shall disclose the policy on dealing with Related Party Transactions on its website and to be disclosed in the Annual Report of IFCI Venture.

C. Disclosure in Board's Report

Every contract or arrangement entered into by IFCI Venture 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.

Consequence of Non-Approval/Violations of the Provisions of Related Party Transactions

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 any other employee, without obtaining the consent of the Board or approval by a special 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 and if the contract or arrangement is with a related party to any director or any other employee, or is authorized by any other director concerned shall indemnify the company against any loss incurred by it.
- ii. Without prejudice to anything in the above para, it shall be open ton IFCI Venture to proceed against a director or 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 Venture 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 imprisonment for a term which may extend to one year or with fine which shall not be less than twenty five-thousands rupees but which may extend to five lakh rupees, or both.
