

TCI FINANCE LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

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## 1. PREAMBLE

The Companies Act, 2013 (the Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) reviewed the provisions of the Listing Agreement vis-à-vis the Companies Act, 2013 and with the objectives to align with the provisions of the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective, revised Clause 49 of the Listing Agreement.

Pursuant to the revised Clause 49 VII C of the Listing Agreement (Clause 49), all the listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

This policy is framed pursuant to the requirement of sub clause VII (C) of revised Clause 49 of the Equity Listing Agreement by the Securities Exchange Board of India (SEBI) vide CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 with the objective to align with the provisions of the Companies Act, 2013, adopt the best practices on corporate governance and make the corporate governance framework more effective.

A related party transaction is a transfer of resources, services or obligations between a Company and a Related party, regardless of whether price is charged or not and includes those transactions as defined under Section 188(1) of the Companies Act 2013 and included in the DEFINITIONS below. This policy is aimed to regulate the transactions between the Company and its Related Parties based on the applicable laws and regulatory provisions governing the Company's operations.

The policy is intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its stakeholders. The Company is required to disclose every year in the Financial Statements, certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

The Board of Directors (the "Board") of TCI Finance Limited (the "Company" or "PFL"), has adopted the following policy with regard to Related Party Transactions as defined below, effective October 1, 2014. The Audit Committee will review and may amend this policy from time to time.

## 2. SCOPE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), TCI Finance Limited ("TCIF") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Clause 49(VII)(C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

## 3. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

## 4. DEFINITIONS

Related Party Transaction: "Related Party Transaction" is a transfer of any resources, services or obligations between the Company and a related party, regardless of whether a price is charged. (A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract).

Term	Definitions
Related Party	<p><u>Under Clause 49 of the Listing Agreement with the Stock Exchanges</u>  an entity shall be considered as related to the company if:</p> <ul style="list-style-type: none"> <li>a. such entity is a related party under Section 2(76) of the Companies Act, 2013; or</li> <li>b. such entity is a related party under the applicable accounting standards.</li> </ul> <p><u>As per Accounting Standard 18:</u></p> <ul style="list-style-type: none"> <li>i. enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding</li> </ul>

	<p>companies, subsidiaries and fellow subsidiaries);</p> <ol style="list-style-type: none"> <li>II. associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;</li> <li>III. individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;</li> <li>IV. key management personnel and relatives of such personnel; and</li> <li>V. Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.</li> </ol> <p><u>Section 2(76) of the Act:</u></p> <ol style="list-style-type: none"> <li>a. A director or his relative</li> <li>b. Key Managerial Personnel or his/ her relative</li> <li>c. A firm, in which a director, manager or his relative is a partner</li> <li>d. A private company in which a director or manager or his relatives is a member or director</li> <li>e. 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</li> <li>f. A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except such advice is given in a professional capacity</li> <li>g. Any person on whose advice, directions or instructions a director or manager is accustomed to act, except such advice is given in a professional capacity</li> <li>h. Any company which is: <ul style="list-style-type: none"> <li>· A Holding, Subsidiary or an Associate company of such company or</li> <li>· A Subsidiary of a Holding company to which it is also a Subsidiary</li> </ul> </li> <li>i. 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</li> </ol>
Relatives	<p>Sec 2 (77) of the Act:</p> <p>With reference to any person Related Party means any one person, who is related to another, if:</p> <ul style="list-style-type: none"> <li>· they are members of a Hindu Undivided Family;</li> <li>· they are husband and wife, or</li> <li>· One person is related to the other if he or she is related to another as under: Father*, Mother*, Son*, Son's wife, Daughter, Daughter's Husband, Brother* and Sister* (*including step)</li> </ul>
Associate Company	<p>Sec 2 (6) of the Act:</p> <p>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.</p> <p>Explanation: For the purposes of this clause, "significant influence" means</p>

	control of at least 20% of the total share capital, or of business decisions under an agreement.
Holding Company	Sec 2 (46) of the Act: In relation to one or more other companies, means a company of which such companies are subsidiary companies.
Subsidiary Company	Sec 2 (87) of the Act: In relation to any other company, that is the Holding company, means a company in which the holding company: (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the Total Share Capital · either at its own; or · together with one or more of its subsidiary companies:  Explanation: <ul style="list-style-type: none"> <li>• company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;</li> <li>• the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;</li> <li>• the expression "company" includes anybody corporate;</li> <li>• "layer" in relation to a holding company means its subsidiary or subsidiaries;</li> </ul>
Key Managerial Personnel	Sec 2 (51) of the Act: In relation to a company means: <ul style="list-style-type: none"> <li>• the Chief Executive Officer (CEO) and /or the Managing Director (MD) or the Manager;</li> <li>• the Company Secretary (CS);</li> <li>• the Whole- time Director (WTD);</li> <li>• the Chief Financial Officer (CFO); and</li> <li>• Such other officer as prescribed under the Companies Act from time to time.</li> </ul>
Manager	Section 2(53) An individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director and any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.
Net Worth	Section 2(57) The aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

<p>Related Party Transaction</p>	<p><u>Under Clause 49 of the Listing Agreement with Stock Exchanges :</u>  A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.</p> <p><u>Under Section 188 of the Act</u>  Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:</p> <ul style="list-style-type: none"> <li>• sale, purchase or supply of any goods or materials;</li> <li>• selling or otherwise disposing of, or buying, property of any kind;</li> <li>• leasing of property of any kind;</li> <li>• availing or rendering of any services;</li> <li>• appointment of any agent for purchase or sale of goods, materials, services or property;</li> <li>• appointment of a person to any office or place of profit in the company, its subsidiary company or associate company;</li> <li>• under writing the subscription of any securities or derivatives thereof of the Company</li> </ul>
<p>Office or place of profit</p>	<p><u>Section 188 (1) (Explanation):</u>  Office or place of profit means any office or place of profit:</p> <ol style="list-style-type: none"> <li>I. 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;</li> <li>II. 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</li> </ol>
<p>Arms' length transaction</p>	<p><u>Section 188 (1) (Explanation):</u>  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.</p>

## 5. MATERIALITY

### a. Under Clause 49 of the Listing Agreement with Stock Exchanges

A Related Party Transaction shall be considered Material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company.

b. Under the Act

<u>Sl.no</u>	Transaction or contract or arrangements for	Transaction or contract or arrangements for Limits for the time being in force * [as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014]
<u>1</u>	Sale, purchases or supply of any goods or materials	10% of net worth or Rs. 100 crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year )
<u>2</u>	Selling or otherwise disposing of, or buying property of any kind	10% of net worth or Rs. 100 crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year )
<u>3</u>	Leasing of property of any kind	10% of net worth or 10% of turnover or Rs. 100 crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year )
<u>4</u>	Availing or rendering of any services, directly or through appointment of agent	10% of net worth or Rs. 50 crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year )
<u>5</u>	Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	Where monthly remuneration exceeds Rs.2,50,000
<u>6</u>	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	For amount exceeding 1% of Net Worth of the Company

## 6. MANNER OF DEALING WITH THE RELATED PARTY TRANSACTIONS

a. Identification of related parties & transactions

TCIF shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Clause 49 of the Listing Agreement.



TCIF shall identify the related party transactions in accordance with Section 188 of the Act and Clause 49 of the Listing Agreement. TCIF shall also determine whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

b. Procedure for approval of related party transactions

(i) Audit Committee's Approval

All Related Party Transactions and any subsequent modifications thereto, shall require the prior approval of the Audit Committee.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.

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

Such omnibus approval shall specify (i) the name/s of the related party, nature of the 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 the Audit Committee may deem fit;

Provided that where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party transactions entered into by the Company pursuant to each of the omnibus approval given.

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

(ii) Board of Directors' approval

All Related Party Transactions that are:

- not in the ordinary course of business, or
- in the ordinary course of business but not at arms' length or
- neither in the ordinary course of business nor at arms' length
- shall require the prior approval of the Board of Directors at a Meeting of the Board.

(iii) Shareholders' approval

All the transactions with related parties exceeding the materiality thresholds as laid down in Clause 5 of the Policy are placed before the shareholders for approval.

For this purpose, 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.

## **7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be reviewed by the Audit Committee / Board as follows:

The Audit Committee or Board or Shareholders, as the case may be, will consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification within 3 months of the date of the contract or arrangement, whether ratification should be allowed and if ratified whether it would be beneficial or detrimental to the Company, revision or termination of the Related Party Transaction including the facts and circumstances of failure to obtain approval / report such Related Party Transaction to the Audit Committee or the Board or Shareholders under this Policy and take such action as deemed appropriate. In case, such contract or arrangement is not so ratified, such contract or arrangement shall be voidable at the option of the Board. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

Where the Audit Committee or Board, as the case may be, determines not to ratify a Related Party Transaction that has been commenced without approval, it may direct such additional actions including, but not limited to, immediate cancellation of such transaction or recovery action against a Director or KMP who had entered in to such contract or arrangement in contravention of the provisions of the Act or Clause 49.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **8. Disclosures**

TCIF shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, TCIF shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchanges.