

POLICY ON RELATED PARTY TRANSACTIONS



IFL HOUSING FINANCE LIMITED

{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}



POLICY ON RELATED PARTY TRANSACTIONS

1. SCOPE AND PURPOSE 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 National Housing Bank (NHB) Act, NHB Housing Finance Companies Directions, 2010 and Notifications issued by NHB from time to time. In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. ABOUT THE COMPANY

The Company is incorporated as wholly owned subsidiary of India Finsec Limited on 17.09.2015. However, it becomes subsidiary of India Finsec Limited on 23.01.2018.

The Company received Certificate of Registration from National Housing Bank bearing certificate no. 12.0164.17 dated 12.12.2017. Thereafter Company started its housing finance business.

Being a housing finance company, company provides home loans to people who are in the Economically Weaker Sections, Low Income Groups and Middle Income Group (EWS/LIG/MIG) as well as affordable home finance for self employed/salaried people in the organized/unorganized sector. The Company aims to be a significant player in this segment.

3. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the exceeding thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013 and National Housing Bank (NHB) Act and any other laws and regulations as may be applicable to the Company.

4. DEFINITIONS

4.1 “Applicable Laws” includes;

- (a) the Companies Act, 2013 (‘the Act’) and rules made thereunder;
- (b) Accounting Standards;
- (c) National Housing Bank (NHB) Act, NHB Housing Finance Companies Directions, 2010 and Notifications issued by NHB from time to time and,
- (d) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

4.2 “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.

4.3 “Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

4.4 “Company” means IFL Housing Finance Limited.

4.5 “Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Companies Act, 2013 and rules prescribed thereunder.

4.6 “Related Party” have the meaning as defined in Section 2(76) of Companies Act, 2013 and or any other applicable law or regulation.

4.7 “Related Party Transactions” As per section 188(1) of Companies Act, 2013 related party transaction will include following specific 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; such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company ;and
- f) underwriting the subscription of any securities or derivatives thereof, of the company.

Provided that nothing in section 188(1) shall apply to any transaction entered into by the Company in its ordinary course of business other than transactions which are not at arm’s length basis.

4.8 “Shareholder’s Approval” All Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and the Rules framed thereunder.

4.9 “Key Managerial Personnel” or “KMP” shall have the meaning as defined in the Companies Act 2013 and as amended from time to time.

4.10 “Audit Committee” means the committee of Board of Directors of the Company constituted in accordance with the provisions of Companies Act, 2013 and Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act,2013 or any other applicable law or regulation and as amended from time to time.

5. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

5.1 Approval of the Audit Committee

- A. All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
- i) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - ii) The maximum value per transaction which can be allowed;
 - iii) extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - iv) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - v) transactions which cannot be subject to the omnibus approval by the Audit Committee
- b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
- i) repetitiveness of the transactions (in past or in future);
 - ii) justification for the need of omnibus approval.
- c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- d. The omnibus approval shall provide details of
- (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into,
 - (ii) basis of arriving at 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 rupees 1 crore per transaction.

- e. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.



- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- g. Any other conditions as the Audit Committee may deem fit.

5.2 Approval of the Board of Directors of the Company

- A. As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- B. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- C. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- D. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval
- E. exceeding the threshold limits, as per Clause 4.8 of the Policy, which are intended to be placed before the shareholders for approval

5.3 Approval of the Shareholders of the Company

All the transactions with related parties exceeding the threshold limits, as per Clause 4.8 of the Policy, are placed before the shareholders for approval. For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. (RP's can cast only negative vote to reject the shareholders resolution on RPT exceeding the threshold limits). In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- A. are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval for Related Party Transactions exceeding the thresholds is not required in case of wholly owned subsidiary, if passed by the holding company, for the purpose of entering into the transaction between wholly owned subsidiary and holding company.



6. REPORTING AND DISCLOSURES

All the Disclosure would be done as in compliance with the requirement as specified under Companies Act 2013 and or any other applicable law or regulation.

7. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.

The Related Party Transaction is reviewed and adopted by the Board of Directors of the Company in their meeting held on 01st April 2020.