



Related Party Transaction Policy

VERSION CONTROL

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V.1.0	Jitendra Bhati AVP – Compliance & Secretarial	15 May 2015	15 May 2015	1 April 2015	--
V.2.0	Jitendra Bhati AVP – Compliance & Secretarial	29 October 2015		29 October 2015	Companies (Amendment) Act, 2015 brought into force pursuant to MCA Notification dated 29 May 2015
V.3.0	Jitendra Bhati AVP – Compliance & Secretarial	04 February 2016		04 February 2016	Notification of Section 14 of Companies (Amendment) Act, 2015 regarding omnibus approval by Audit Committee

INTRODUCTION

The Board of Directors (“**the Board**”) of IndoStar Capital Finance Limited (“**the Company**” or “**ICF**”), has adopted the following Related Party Transaction Policy (“**Policy**”) with regards to any contract or arrangement with a Related Party under the applicable provisions of the Companies Act, 2013 read with rules framed thereunder (the “**Act**”).

The Policy shall be effective from 1 April 2015 and the same shall be applicable to all prospective Transactions. All existing contracts or arrangements with Related Party within the ambit of the Act which are likely to continue beyond 31 March 2015 shall be placed for approval of the Audit Committee or the Board or Members in the first General Meeting, as the case may be, subsequent to 1 April 2015.

PURPOSE

This Policy is framed as per the requirement of Section 188 and other applicable provisions of the Act and the rules framed thereunder and intend to ensure the 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 Members.

The Company is required to disclose each year in the Financial Statements, transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

DEFINITIONS

“**Annual Turnover**” and “**Annual Consolidated Turnover**” means turnover of the Company as reflected in the Audited Financial Statements of the preceding Financial Year on standalone and consolidated basis respectively;

“**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;

“**Associate**” means an enterprise in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company and the term “Associate Company” shall be interpreted accordingly. For the purpose of this definition, “Significant Influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

“**Audit Committee**” or “**Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Companies Act, 2013;

“**Board**” means Board of Directors of the Company;

“**Company Secretary**” means a person who is appointed by the Company to perform the functions of the Company Secretary under provisions of the Companies Act, 2013;

“**Key Managerial Personnel**” 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.

“Material Related Party Transaction” means a transaction with a Related Party in relation to –

- i. sale, purchase or supply of any goods or materials, directly or through appointment of agent exceeding 10% of the Annual Turnover of the Company or Rs. 100 crores, whichever is lower; or
- ii. selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent, exceeding 10% of Net Worth of the Company or Rs. 100 crores, whichever is lower; or
- iii. leasing of property of any kind exceeding 10% of the Net Worth of the Company or 10% of the Annual Turnover of the Company or Rs. 100 crore, whichever is lower; or
- iv. availing or rendering of any services, directly or through appointment of agent, exceeding 10% of the Annual Turnover of the Company or Rs. 50 crore, whichever is lower, or
- v. 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 lakhs; or
- vi. underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the Net Worth.

“Net worth” means net worth of the Company computed in accordance with Section 2(57) of the Companies Act, 2013 based on the Audited Financial Statements of the preceding Financial Year;

“Policy” means Related Party Transaction Policy;

“Related Party” means -

- (a) a director or his Relative;
- (b) a Key Managerial Personnel 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 relatives 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 unless the advice, directions or instructions are given in a professional capacity;
- (g) any person under whose advice, directions or instructions a Director or Manager is accustomed to act unless the advice, directions or instructions are given in a professional capacity;
- (h) Director or Key Managerial Personnel of the holding company or his relative;
- (i) a Holding Company;
- (j) a Subsidiary Company;
- (k) an Associate Company;
- (l) a Fellow Subsidiary Company;
- (m) any other person that may be prescribed under Section 2(76) of the Companies Act, 2013;

“Specified Related Party Transaction” means transaction with a Related Party if the transaction(s) to be entered into, other than transactions entered into by the Company in its ordinary course of business and the same are on an arm’s length basis, is in relation 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.

“Related Party Transaction” 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;

“Relative” means relative as defined under Section 2(77) of the Companies Act, 2013 and includes anyone who is related to another in any of the following manner –

- (a) they are members of a Hindu Undivided Family ;
- (b) they are husband and wife ;
- (c) father (including step-father)
- (d) mother (including step-mother)
- (e) son (including step-son)
- (f) son’s wife
- (g) daughter
- (h) daughter’s husband
- (i) brother (including step-brother); or
- (j) sister (including step-sister)

“Transaction” with a Related Party shall be construed to include any contract or arrangement or transaction, whether single or as a group of transaction and for the purpose of applying thresholds laid down in this Policy it shall include previous transaction(s) during the financial year with the said Related Party.

APPROVAL OF TRANSACTION

Approval of the Audit Committee

All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee. Where any Director is considered interested in any transaction with Related Party, such Director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (a) Name of the Related Party and nature of relationship;

- (b) Nature, material terms and monetary value of the contract or arrangement along with justification;
- (c) Whether the terms of the Related Party Transaction are fair and on arms' length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (d) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (e) Whether the Related Party Transaction would affect the independence of an independent director;
- (f) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (g) Whether the Audit Committee or the Board, through the Secretarial Department of the Company, was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- (h) Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant;
- (i) Any other information relevant or important for the members to take a decision on the proposed transaction(s).

The Audit Committee may make omnibus approval for related party transactions which are repetitive in nature subject to the following conditions:

- The Audit Committee shall satisfy itself on the need for omnibus approval and that such approval is in the interest of the Company;
- The omnibus approval shall contain the name of the related party(ies), 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 such other conditions, as the Audit Committee may deem fit;

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 INR 1 crore per transaction.

- Omnibus approval shall be valid for a period not exceeding 1 (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 the Company.
- The Audit Committee shall, on half yearly basis, review the related party transactions entered into by the Company pursuant to each of the omnibus approval;

Approval of the Board of Directors of the Company

Upon approval by the Audit Committee, Specified Related Party Transactions must be referred to the Board for prior approval. Where any Director is considered interested in any transaction with Related Party, such Director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.

Approval of the Shareholders of the Company

Upon approval by the Audit Committee and Board, if the transaction is Material Related Party Transactions it shall require prior approval of the Members, except for the Material Related Party Transactions entered into with the wholly owned subsidiary(ies) whose accounts are consolidated and placed before the shareholders at the general meeting for approval. No member of the Company shall vote on such resolution, to approve any transaction which may be entered into by the Company, if such member is a Related Party, in the context of the Material Related Party Transaction for which the said resolution is being passed.

IDENTIFICATION OF RELATED PARTIES

Every Director and Key Managerial Personnel is responsible to declare any person or entity that would be regarded as Related Party for the Company in accordance with this Policy on account of his being Director or Key Managerial Personnel of the Company. Such declaration shall include disclosure of his (and his relative's) concern or interest in any company or companies or bodies corporate, firms or such other association of individuals which shall include the shareholding, directorship, membership, partnership, etc.

Company Secretary shall identify other persons or entities that would be regarded as Related Parties on account of their relationship as mentioned in the definition of Related Parties on a half yearly basis based on the information available with him or after making enquiries as may be necessary.

Company Secretary shall prepare a comprehensive List of Related Parties based on the information received from Director, Key Managerial Personnel and other persons or entities identified by him. Such list circulated to all the persons having authorities to carry out any transactions so that the Policy can be adhered to.

Audit Committee may determine the procedure to be followed for declaration as well as compilation and circulation of comprehensive List of Related Parties.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Every officer of the Company entrusted with the authority to enter into any transaction shall be responsible for providing notice to the Board or Audit Committee, through the Secretarial Department of the Company of any potential Related Party Transaction involving the Company and the Related Party listed in the comprehensive list prepared and circulated by the Company Secretary of the Company. The Board / Audit Committee, through the Secretarial Department of the Company, will determine whether the Transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company will try and ensure that notice of any potential Related Party Transaction is given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed Transaction.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company 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 Committee / Board. The Committee / Board shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee / Board 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 Committee / Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee / Board, 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 / Board has authority to modify or waive any procedural requirements of this Policy.

EXCEPTIONS

Approval of Audit Committee/ Board of Directors/ Members under this Policy shall not be required if the transaction(s) is in the Company's ordinary course of business and the same is on an arm's length basis.

IMPLEMENTATION

This Policy will be communicated to all concerned employees and other persons of the Company and the same shall be effective from 1 April 2015.