

IRCON INTERNATIONAL LIMITED

RELATED PARTY TRANSACTION POLICY*

1. INTRODUCTION

This Policy has been formulated in accordance with the provisions of the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time (hereinafter referred to as “**Listing Regulations**”)

2. SCOPE AND PURPOSE 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 and Listing Regulations.

3. DEFINITIONS

- 3.1 “Act”** shall mean the Companies Act, 2013 including any modifications, clarifications, circulars or re-enactment thereof.
- 3.2 “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 as defined in explanation (b) to Section 188 (1) of the Act.
- 3.3 “Associate Company”** means associate company as defined in Section 2(6) of the Act.
- 3.4 “Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and the Act.
- 3.5 “Board”** means Board of Directors of the Ircon International Limited, as constituted from time to time.
- 3.6 “Company”** means Ircon International Limited (Ircon).
- 3.7 “Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- 3.8 “Key Managerial Personnel”** mean key managerial personnel as defined under Section 2(51) of the Act.
- 3.9 “Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015.

3.10 “Material Related Party Transaction” means a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the Annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

3.11 “Ordinary Course of Business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:

- a. is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training, etc.)
- b. is frequent and regular
- c. involves significant amounts of money
- d. is a source of income for your business
- e. involves significant allocation of resources
- f. is involved in a service or product that is offered to customers

3.12 “Policy” means Related Party Transaction policy of Ircon.

3.13 “Related Party” an entity shall be considered as related to the Company as defined in the Companies Act, 2013 read with Regulation 23 of the Listing Regulations:

- a) Such entity is a related party under Section 2(76) of the Act which are as follows:
 - (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 or relative is a member or Director;
 - (v) 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;
 - (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) anybody corporate which is –
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venture of the company.

Explanation – For the purpose of this clause “the investing company or the venture of a company” means a body corporate whose investment in the

company would result in the company becoming an associate company of the body corporate.

- (ix) a director (other than an independent director or key managerial personnel of the holding company or his relative with reference to a company).
- (x) such other person as may be prescribed.

3.14 “Related Party Transaction” (RPT) means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged as envisaged in Section 188(1) of the Act and/ or Regulation 2(1)(zc) of the Listing Regulations.

3.15 “Relative” means a relative as defined in Section 2(77) of the Act.

3.16 “Subsidiary Company” means subsidiary company as defined in Section 2(87) of the Act.

3.17 “Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

Any other word(s) used in this policy and not defined herein shall have the same meaning as defined in the Act including any statutory modification or re-enactment thereof or Rules made there-under, Listing Regulations and the rules and regulations made there-under or any other relevant legislation/ law applicable to the Company.

4. POLICY- APPROVAL OF RELATED PARTY TRANSACTIONS

4.1 Approval of the Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee.

However, as per Rule 6A of the Companies (Meeting of Board and its Powers) Second Amendment Rules, 2015 and the Listing Regulations, the Audit Committee may grant the omnibus approval for Related Party Transactions subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are frequent/ regular/ repetitive in nature and are in the normal course of business of the Company.
- b. The Audit Committee shall grant omnibus approval to the transactions which are in the ordinary course of business and the transactions which are on arm’s length basis.
- c. The Audit Committee shall grant omnibus approval to all such transactions as the Audit Committee may consider proper.
- d. The Audit Committee shall satisfy itself the need for such omnibus approval in the best interest of the Company.
- e. 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
- (ii) 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 grant omnibus approval for such transactions subject to their value not exceeding Rs.1.00 crore per transaction.

- f. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- g. The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year from the date of approval.

4.2 Approval of the Board of Directors of the Company

As per section 188(1) of the Act read with applicable Rules except with consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall 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
- (g) underwriting the subscription of any securities or derivatives thereof, of the company;

Provided that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transaction which are not on arm's length basis.

4.3 Approval of the Shareholders of the Company

The following transactions require prior approval of Shareholders of the Company, as prescribed under Section 188 (1) of the Companies Act, read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014:

S. No.	Specified RPT(s) u/s 188(1) of the Companies Act, 2013	Threshold limits for approval of Shareholders
a)	sale, purchase or supply of any goods or materials	Exceeding 10% of the turnover of the Company or Rs. 100 crore, whichever is lower.
b)	selling or otherwise disposing of, or buying, property of any kind	Exceeding 10% of net worth of the Company or Rs. 100 crore, whichever is lower.
c)	leasing of property of any kind	Exceeding 10% of the net worth of the Company or 10% of turnover of the Company or Rs. 100 crore, whichever is lower.
d)	availing or rendering of any services	Exceeding 10% of the turnover of the company or Rs. 50 crore, whichever is lower.
e)	appointment of any agent for purchase or sale of goods, materials, services or property	As per limit prescribed in clause a), b) and d) of clause 4.2, in case resulted into appointment of agent
f)	such related party's appointment to any office or place of profit in the company, its subsidiary company	At a monthly remuneration exceeding Rs. 2.50 lakhs or associate company
g)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

Provided that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transaction which are not on arm's length basis.

Exemptions from Shareholders approval:

1. In respect of transactions between two government companies;
2. Transactions entered into between a holding and its wholly owned subsidiary whose accounts are consolidated with such holding and placed before the shareholders at the general meeting for approval.

- 4.4** In terms of Regulation 23(4) of the Listing Regulations, all Material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

Exemption:

1. Transaction entered into between two government companies;
2. Transaction entered into between a holding and its wholly owned subsidiary whose accounts are consolidated with such holding and placed before the shareholders at the general meeting for approval.

5. PROCEDURE FOR APPROVAL AND REPORTING

5.1 Identification of Potential Related Party Transactions

The respective Directors/ Key Managerial Personnel/ Executive Directors/ Functional Heads is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Executive Directors/ Functional Heads shall intimate to Corporate Finance and to Company Secretary Department within 10 days of end of each quarter all the transactions with related parties.

Based upon above, all the Related Party Transaction shall be put up to the Audit Committee/Board.

5.2 Review and approval Related Party Transactions

5.2.1 Audit Committee/Board's Approval

The following details/information shall be provided to the Audit Committee/ Board for entering into Related Party Transaction(s):

- a. name of the related party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b. particulars of the contract or arrangement including material terms of and the value, if any;
- c. any advance paid or received for the contract or arrangement, if any
- d. manner of determining the pricing (indicative base price / current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract;
- e. 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
- f. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Consideration by the Audit Committee/ Board

While approving, the Audit Committee/ Board may, inter-alia, consider the following factors:

- a. all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party;
- b. whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis, at the time of entering into the transaction;
- c. business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d. whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or KMP of the Company;
- e. Director or KMP shall not participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the Director / KMP shall provide all material information concerning the Related Party Transaction to the Audit Committee/ Board;
- f. any other matter the Audit Committee/ Board deems relevant.

5.2.2 Shareholders' Approval

In case Board refers a related party transaction for seeking approval of the shareholders as per the provisions of the Act or otherwise, in such cases, if any shareholder of company is a related party as per this policy, such shareholder of the company shall not vote on resolution passed for approving such related party transaction.

6 DISCLOSURES

- a. Every Contract or arrangement entered with Related Parties with the approval of Board / Shareholders in line with Section 188 of the Act shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- b. Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- c. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- d. Name of all related parties & nature of relationships & details of all related party transactions should be disclosed in the financial statement as per Accounting Standard 18.
- e. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party requires approval of the Board.

7 AMENDMENTS

The Board of Directors may review or amend this policy, in whole or in part, from time to time as per the requirement of the Act or any statute.

Summary of the approval and consideration/recommendation mechanism under the Listing Regulations and the Companies Act, 2013

Details of Transaction(s) Approving Authority	Details of Transaction(s) Approving Authority
All Related Party Transactions and any subsequent modification	Audit Committee
RPTs which are not in Ordinary Course of Business or not on arm's length basis or both (below threshold limits)	Recommendation by Audit Committee to the Board for approval Approval by the Board
Material RPTs & RPT which are not in Ordinary Course of Business or not on arm's length basis or both (above threshold limit)	Recommendation by Audit Committee to the Board for approval. Recommendation by the Board to Shareholders. Approval by the Shareholders
