

## 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 and rules made thereunder 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 or under the applicable accounting standards.
- 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 as amended from time to time.
- 3.10 “**Material Modification**” in relation to a related party transaction approved by the Audit Committee or a material related party transaction approved by the Shareholders as the

case may be, material modification means any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, exceeding 25% of the originally approved transaction.

Provided that change in the value of RPT on account of following shall not be considered as material modification:

1. Change in quantity or rate of the existing RPT due to the reasons beyond the control of the Related Parties; and
2. Change due to revision / imposition of statutory levies like taxes, duties, etc.”

**3.11 “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 rupees one thousand crore or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during the financial year exceeds 5% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company.

This sub-limit would be considered within overall 10% limit to determine material RPTs.

**3.12 “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

**3.13 “Policy”** means Related Party Transaction policy of IRCON.

**3.14 “Related Party”** means a related party as defined under section 2 (76) of the Companies Act, 2013 or under the applicable Accounting Standards:

Provided that:

- a) any person or entity belonging to the promoter or promoter group of the Company;  
or
- b) any person or any entity, holding equity shares:
  - (i) of 20% or more; or

(ii) of ten per cent or more, w.e.f 01.04.2023.

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year;

shall be deemed to be a related party.

**3.15 “Related Party Transaction” (RPT)** means any transaction involving a transfer of resources, services or obligations between:

- (i) The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) The Company or any of its subsidiaries on one hand, any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, w.e.f. 01.04.2023;

Regardless of whether a price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - (i) payment of dividend;
  - (ii) subdivision or consolidation of securities;
  - (iii) issuance of securities by way of a rights issue or a bonus issue; and
  - (iv) buy-back of securities.

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

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

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 and subsequent material modifications shall require prior approval of the Audit Committee and only those members of the audit committee, who are independent directors, shall approve the related party transactions.

Further, in terms of Regulation 23 (2) of the Listing Regulations:

1. A related party transaction to which any subsidiary of IRCON is a party but IRCON is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
2. w.e.f. 01.04.2023, a related party transaction to which any subsidiary of IRCON is a party but IRCON is not a party shall require prior approval of the Audit Committee, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

However, in case of related party transaction of a listed subsidiary of IRCON (where IRCON is not a party), prior approval of the Audit Committee of the listed subsidiary of IRCON shall suffice.

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 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:

<b>S. No.</b>	<b>Specified RPT(s) u/s 188(1) of the Companies Act, 2013</b>	<b>Threshold limits for approval of Shareholders</b>
a)	sale, purchase or supply of any goods or materials	amounting to 10 % or more of the turnover of the Company
b)	selling or otherwise disposing of, or buying, property of any kind	amounting to 10 % or more of net worth of the Company
c)	leasing of property of any kind	amounting to 10 % or more of turnover of the Company
d)	availing or rendering of any services	amounting to 10% or more of the turnover of the Company
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 with any government company, or with Central Government or any State Government or any combination thereof;
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 and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve 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.
3. In respect of the Company, if a resolution plan is approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

**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) (in case of non-exempted categories of RPT):

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and

- tenure;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

### **5.2.2 Audit Committee Approval**

The following details/information shall be provided to the Audit Committee for entering into Related Party Transaction(s) (in case of exempted categories of RPT):

- 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.

## **7. VOTING**

All entities / Members falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

## **8. 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. The Company shall submit, disclosures of related party transactions on a consolidated basis, in the format as specified by the SEBI to the stock exchanges and publish the same on its website.
- 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 IndAS 24.
- 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.

## **9. AMENDMENTS**

The Board of Directors shall review atleast once in every 3 years and may amend this policy at any time, in whole or in part, from time to time as per the requirement of the Act or any statute.

However, any amendment in the Policy required in compliance with the Listing Regulations or any statutory enactment, Chairman & Managing Director of the Company is empowered to approve such amendment.

## **10. DISCLAIMER**

In case of any discrepancy between the above Policy, the Companies Act, 2013 and the Listing Regulations or any rules or regulations made thereunder or under any other applicable statutory enactment of law, the enacted law / rule / regulation / provision shall prevail over the above Policy. Any subsequent modification / amendment in the listing Regulations, Act and / or applicable law in this regard shall automatically apply to this Policy.



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

<b>Details of Transaction(s) Approving Authority</b>	<b>Details of Transaction(s) Approving Authority</b>
1. All Related Party Transactions and any subsequent material modification	Audit Committee (only those members who are Independent Directors)
2. 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
3. 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
4. Exemptions for Board & Shareholders' Approval in case of S.N. 2 & 3	Between Two Government Companies Between Holding & wholly owned subsidiary companies whose accounts are consolidated.

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