



**Tourism Finance Corporation of India Limited**

**Policy on Related Party Transactions**

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. INTRODUCTION**

This Policy on Related Party Transactions (hereinafter referred to as “Policy”) of Tourism Finance Corporation of India Ltd. (hereinafter referred to as “TFCI” or the Company) and the amendment to this Policy, if any, by the Board of Directors of the Company or any Committee thereof shall be effective from the date on its approval. TFCI has always been committed to best corporate governance practices and this Policy is prepared for ensuring compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other regulatory provisions, as may be applicable.

### **2. OBJECTIVE OF THE POLICY**

The Policy is framed to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval/ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties. The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to accord fairness in the treatment of related party transactions. The objective of this Policy is to set out:

- (a) The manner of dealing with the transaction between TFCI and its related parties based on the Act, read with Regulation 23 of SEBI Listing Regulations and any other laws and laws as may be applicable to the Company and;
- (b) The materiality thresholds for related party transactions.

### **3. APPLICABILITY**

The Policy shall be applicable to all Related Party Transactions entered with:

- (a) Board of Directors and their Relatives;
- (b) Key Managerial Personnel (KMP) of the Bank and their Relatives; and
- (c) Related Parties, as defined hereinafter.

This Policy shall be effective from 01.04.2022 and shall remain valid for a period of three years up to 31<sup>st</sup> March 2025 or till next amendment/review pursuant to change in the Regulatory/Operational Guidelines. Any subsequent directives/guidelines issued by the Regulatory Authorities in this respect will automatically form part of the policy.

### **4. DEFINITIONS**

- (i) “**Act**” shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- (ii) “**Arm’s length transaction**” (ALP) means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.
- (iii) “**Associate Company**”, 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.

**Explanation**—For the purposes of this clause- (a) the expression "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

(iv) **“Audit Committee”** means a committee “Audit Committee” means the Audit Committee constituted by the Board in accordance with the Section 177 of the Act from time to time, in accordance with the provisions of the Act and SEBI Listing Regulation.

(v) **“Key Managerial Personnel”** in relation to a Company, shall have the meaning as defined under Section 2(51) of the Companies Act, 2013 and means:

- i) Managing Director & Chief Executive Officer
- ii) Whole-Time Director;
- iii) Chief Financial Officer and;
- iv) Company Secretary

as amended from time to time.

(vi) **“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

(vii) **“Material Related Party Transaction”** is a transaction with a Related Party which shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during the financial year exceed Rs.100 crore or 10%(ten percent) of the annual consolidated turnover of the company as per the last audited financial statements of the Company, whichever is lower. In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

(viii) **“Material Modification”**: A modification to the Related Party Transaction shall be considered material where the value involved or the impact of an event exceeds -

2% of the total income of TFCI as per the last audited financial statements

or

5% of the net worth of TFCI as per the last audited financial statements

whichever is lower.

(ix) **“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.

(x) **“Relative”**

A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, as defined under Section 2(77) of the Companies Act read with Rule 4 of Companies (Specification of definitions details) Rules, 2014):

- a. Members of a Hindu Undivided Family (HUF)
- b. Spouse
- c. Father: Provided that the term “Father” includes step-father.
- d. Mother: Provided that the term “Mother” includes the step-mother.
- e. Son: Provided that the term “Son” includes the step-son.

- f. Son's wife
- g. Daughter
- h. Daughter's husband
- i. Brother: Provided that the term "Brother" includes the step-brother.
- j. Sister: Provided that the term "Sister" includes the step-sister.

**(xi) "Related Party"**

Related Party with reference to TFCI means apart related to the Company in any ways as laid down in section 2(76) of the Companies Act, 2013 & Regulation 2(1)(zb) of the SEBI(LODR), Regulation, 2015 as amended from time to time and include the followings:

- (i) Director or his relative;
- (ii) Key Managerial Personnel or their relatives;
- (iii) Firm, in which a Director or his relative is a partner;
- (iv) Private Company in which a Director or his relative is a member or director;
- (v) Public Company in which a Director is a Director and holds along with his relatives, more than two per cent 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 of the company ;
- (vii) any person under whose advice, directions or instructions a Director or Manager of the company 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) Any Body corporate which is -
  - (a) a holding, subsidiary or an associate company of TFCI; or
  - (b) a subsidiary of a holding company to which TFCI is also a subsidiary; or
  - (b) an investing company or the venturer of TFCI;
- (ix) any person or entity belonging to the promoter or promoter group of the Company.
- (x) any person or any entity, holding equity shares:
  - (a) of twenty per cent or more; or
  - (b) of ten per cent or more, with effect from April 1, 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 immediate preceding financial year

**(xii) "Related Party Transactions (RPT)"** have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended, shall mean a transaction involving a transfer of resources, services or obligations between:

- a. 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
- b. the Company or any of its subsidiaries on one hand, and 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 with effect from April 01, 2023.

regardless of whether 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 Securities and Exchange Board of India (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.
- (c) Acceptance of fixed deposits by Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions to the Stock Exchange(s), in the format as specified by SEBI within the stipulated period.

## **5. POLICY**

All Related Party Transactions other than those covered under omnibus approval must require prior approval of the Audit Committee in accordance with this Policy. All material related party transactions shall require approval of shareholders.

### **5.1. Type of Transactions covered**

- a) All transactions covered under the definition of Related Party Transactions in terms of Regulation 2(1)(zc) of SEBI (LODR) Regulations [Clause 4(xii) of the Policy] including transactions involving payments with respect to brand usage or royalty.
- b) Under Indian Accounting Standard Accounting Standard 24 (Ind-AS24), all transactions involving transfer of resources or obligations between related parties, regardless of whether or not a price is charged shall be covered, few illustrations of these are:
  - i) purchases or sales of goods (finished or unfinished);
  - ii) purchases or sales of property and other assets;
  - iii) rendering or receiving of services;
  - iv) leases;
  - v) transfers of research and development;
  - vi) transfers under licence agreements
  - vii) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
  - viii) provision of guarantees or collateral;
  - ix) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised);
  - x) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party; and
  - (k) management contracts including for deputation of employees
- c) In addition to the above, the following transactions are also covered under Related Party Transactions in terms of the provisions of the Companies Act 2013:
  - i) Sale, purchase or supply of any goods or materials;
  - ii) Selling or otherwise disposing of, or buying, property of any kind;
  - iii) Leasing of property of any kind;
  - iv) Availing or rendering of any services;
  - v) Appointment of any agent for purchase or sale of goods, materials, services or property etc.

- vi) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
- vii) Underwriting the subscription of any securities or derivatives thereof, of the company.

## **5.2 Identification of Related Parties**

The Directors and KMPs are mandated to promptly communicate to the Company Secretary list of Related Parties on their appointment/posting as Director/KMP and any changes thereafter in the initial disclosure of Related Parties submitted by them. Company Secretary Department of TFCI shall maintain a database of Related Parties containing the names of individuals and the companies identified based on the definition of Related Party and declarations provided by Directors and KMPs, including any revisions therein.

## **5.3 Identification of Related Party Transactions**

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or the Audit Committee regarding any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

The notice of any such potential Related Party Transaction should be given to the Board/ Audit Committee well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

## **5.4 Procedure for approval of Related Party Transactions**

### **5.4.1 Approval of the Audit Committee**

#### **A. Prior approval of the Audit Committee shall be required for**

- a) All related party transactions and subsequent material modifications as defined by the Audit Committee;
- b) RPTs where subsidiary is a party but the Company is not a party and the transaction amount exceeds subject to threshold of:
  - i) 10% of the consolidated turnover of the Company w.e.f. April 01, 2022;
  - ii) 10% of the consolidated turnover of the subsidiary w.e.f. April 01, 2023.

Further, the Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

Members of the Audit Committee, who are independent directors, shall alone approve Related Party Transactions.

However, the Audit Committee may consider granting omnibus approval from the Audit Committee for all Related Party Transactions subject to compliances with the conditions prescribed in paras 1 to 9 below:

1. 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:

- a) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
  - b) The maximum value per transaction which can be allowed;
  - c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval
  - d) Review related party, at such intervals as the Audit Committee may deem fit,
  - e) Transactions which cannot be subject to the omnibus approval by the Audit Committee
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
    - a) repetitiveness of the transactions (in past or in future);
    - b) justification for the need of omnibus approval
  3. 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;
  4. The omnibus approval shall provide details of
    - a) the name/s of the related party and its relationship with the Company or its subsidiary, nature of transaction, period of transaction, maximum aggregated value of the transaction that can be entered into,
    - b) basis of arriving at the indicative base price / current contracted price and the formula for variation in the price if any and
    - c) 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.

5. The Audit Committee shall review, on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given, if any;
6. 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.
7. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
8. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the Policy
9. Any other conditions as the Audit Committee may deem fit

**However, prior approval of the Audit Committee shall not be required for:**

- a) Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- b) Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.
- c) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- d) Transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

#### **5.4.2 Approval of the Board of Directors of the Company**

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:

- a) 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;
- b) 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;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;
- d) Transactions meeting the materiality thresholds laid down in Clause 4(vii) of the Policy, which are intended to be placed before the shareholders for approval.

#### **5.4.3 Approval of the Shareholders of the Company**

All material related party transactions and any subsequent material modifications as defined in the policy shall require prior approval of the shareholders through resolution.

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 of material RPT).

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 shall not be applicable for the following cases:

- i) Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- ii) Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.
- iii) Transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
- iv) Transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval
- v) Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.



## **6. DISCLOSURES**

- i) The Company 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 not at arm's length basis along with the justification for entering into such transaction.
- ii) The Company shall place all the information as specified by the SEBI from time to time for review of the Audit Committee for approval of the RPTs.
- iii) The Company shall provide all the information as specified by the SEBI from time to time in the explanatory statement in the notice being sent to shareholders seeking approval of proposed RPTs.
- iv) The Company shall submit to the stock exchanges disclosure of related party transactions in the prescribed format as specified by the Board every six months within fifteen days from the date of publication of its standalone and consolidated financial results and on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023 and shall also publish the same on its website
- v) The Company shall provide disclosure on 'Loans and advances' in the nature of loans to firms/companies in which directors are interested by name and amount' in the Corporate Governance Report

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

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all relevant facts and circumstances regarding the related party transactions, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. 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.

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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, 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. REVIEW OF THE POLICY**

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

This Policy is revised based on the extant provisions of Listing Regulations. In case of any subsequent changes in the provisions of the Listing Regulations or any other applicable laws, the Listing Regulations or the applicable laws would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law.

In any circumstance where the terms of this Policy differ from any existing or newly enacted law, rule, regulation, or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the law, rule, regulation or standard.