

TCFC FINANCE LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH THE RELATED PARTY TRANSACTIONS:

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time

1. PREAMBLE:

The Board of Directors (the “Board”) of TCFC Finance Limited (the “Company”) has adopted the following policy and procedures with regards to Related Party Transactions as defined below with effect from the date on which it is notified from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company

2. PURPOSE:

This policy is framed in accordance to Section 188 of the Companies Act, 2013 read with the rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. Further, Regulation 23(1) of the SEBI Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions including clear threshold limits duly approved by the Board of Directors. The regulation further requires that the audit committee of Company shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions. The Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all 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 shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. DEFINITIONS:

- 3.1 “**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. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- 3.2 “**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013.
- 3.3 “**Board**” means Board of Directors of the Company.
- 3.4 “**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

3.5 “**Key Managerial Personnel**” means key managerial personnel as defined in Section 2(51) of the Companies Act, 2013.

3.6 “**Material Related Party Transaction**” includes the following:

- i. if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crores or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other limit as may be specified in the applicable Regulation as amended from time to time.
- ii. a transaction involving payments made to a Related Party with respect to a brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the latest audited financial statements.

3.7 “**Material modification to Related Party Transaction**” means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty percent) or more, in the relevant previously approved related party transaction.

3.8 “**Policy**” means Related Party Transaction Policy.

3.9 “**Related Party**” have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity;
or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity 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:

3.10 “**Related Party Transaction**” have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as amended from time to time.

3.11 “**Relative**” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.

3.12 “**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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

3.13 “**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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

4. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

Each Director and Key Managerial Personnel of the Company is responsible for providing notice of disclosure of interest under section 184 of the Companies Act, 2013 along with list of relatives to the Company. The Company shall ensure that no transaction is entered into with any entity/individual disclosed by the Director/ KMP or any other related party without necessary approvals.

5. MATERIALITY THRESHOLDS:

Regulation 23 of the SEBI Listing Regulations requires a company to lay down materiality thresholds for transactions beyond which approval of the shareholders through a resolution will be required.

The Company has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations as under:

- a. In case of Transaction involving payments made to a Related Party with respect to brand usage or royalty, if the Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5 percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- b. In case of any other Transaction, if the amount of the Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds (Rs. 1000 crore or) * 10% of the annual consolidated turnover of the Company as per its last audited financial statements, (whichever is lower).

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

a. APPROVAL OF AUDIT COMMITTEE:

All Related Party Transactions and subsequent material modification thereof, shall require prior approval of the Audit Committee and only those members of the audit committee, who are independent directors, shall approve related party transactions;

A related party transaction to which the unlisted subsidiary of listed entity is a party but listed

entity is not a party, shall require prior approval of the audit committee of listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

However, with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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;

b. OMNIBUS APPROVAL BY AUDIT COMMITTEE:

- i. Audit Committee may grant omnibus approval in respect of Related Party Transactions which are repetitive in nature, pursuant to the provisions of Section 177 read with Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014. Audit Committee shall lay down the criteria for granting the Omnibus Approval in accordance with this Policy.
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- iii. 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
 - (iii) such other conditions as the Audit Committee may deem fit;
- iv. In case 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 ₹ 1 crore per transaction.
- v. Audit Committee shall review, atleast on a quarterly basis the details of Related Party Transactions entered into by the Company pursuant to each of the Omnibus Approval given.
- vi. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

c. APPROVAL BY BOARD OF DIRECTORS:

All the Related Party Transactions under section 188 of the Companies Act 2013 shall be approved by the Board of Directors of the Company. However, provision will not apply to the transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

All the Material Related Party Transactions covered under Regulation 23 of the Regulations shall be approved by the Board of Directors of the Company.

d. APPROVAL OF THE SHAREHOLDERS OF THE COMPANY:

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.

Provided that prior approval of shareholders of the Company shall not be required for RPTs where listed subsidiary is a party but the Company is not a party, if regulation 23 and 15 (2) of SEBI Listing Regulations are applicable to such listed subsidiary.

Provided that the aforesaid requirements shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to therecognized stock exchanges within one day of the resolution plan being approved.

Transactions that, require prior approval of Shareholders of the Company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/contracts/ arrangements as follows :

As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of Section 188, with criteria as mentioned below –

- Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company , as mentioned in clause (a) and clause (e) respectively of subsection (1) of section 188;
- Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company , as mentioned in clause (b) and clause (e) respectively of subsection (1) of section 188;
- Leasing of property any kind amounting to ten per cent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
- Availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

7. EXCEPTIONS:

Approvals of Audit Committee / Board of Directors / Shareholders under this Policy shall not be applicable in following cases:

- i. Transactions entered into between two government companies.
- ii. Transaction entered into between a holding company and its wholly owned subsidiary, whose accounts are consolidated with such holding Company and placed before the shareholders at the general meeting for approval.
- iii. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval

However, an approval of Audit Committee and Board of Directors/ Shareholders (to the extent applicable), as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Companies Act, 2013 read with the Rules made thereunder.

The Company shall avail exemptions granted under section 188, 177 of Companies Act, 2013 and/or the applicable provisions of The SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended from time to time and after fulfilling conditions and requirements specified therein.

8. DISCLOSURE OF RELATED PARTY TRANSACTIONS:

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 transactions.

Further, the policy on dealing with Related Party Transactions shall be disclosed on Company's website and the web link thereto shall be provided in the Annual Report of the Company.

In addition to the above, the Company shall disclose related party transactions every six months to the Stock Exchanges within 15 days (w.e.f. 01/04/2022) from the date of publication of its standalone and consolidated financial results in the prescribed format, and simultaneously publish the same on its website. Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

9. 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 Audit Committee. The Committee 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 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 determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, 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 has authority to modify or waive any procedural requirements of this Policy

10. REVIEW OF THE POLICY:

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time due to change in applicable law or statutory modifications and requirements respectively.

By Order of the Board
For TCFC FINANCE LIMITED
Sd/-
Tania Deol
Managing Director
DIN: 00073792