

**Registered Office**D.No. 8-2-120/113/3  
4th Floor, Sanali Info Park  
Road No 2, Banjara Hills  
Hyderabad - 500033**T** +91 40 40409333  
**F** +91 40 40409444  
**E** info@ilfsengg.com  
**W** www.ilfsengg.com**IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED****POLICY ON RELATED PARTY TRANSACTIONS****I Preface:**

This Policy on Related Party Transactions (RPTs) of IL&FS Engineering and Construction Company Limited (“Policy”) is framed to comply with Section 188 of Companies Act, 2013 read with rules made thereunder and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and shall be applicable to all the transactions entered into by the Company with Related Parties as defined here-in-below in this Policy

The Company shall adhere to the Policy and shall not enter into any transactions with the Related Parties in violation of the Policy. The Audit Committee of the Company shall supervise the proper implementation of this Policy

**II Definitions:**

- (1) “Act” shall mean the Companies Act, 2013 read together with rules made there under, as may be amended from time to time;
- (2) “Company” shall mean IL&FS Engineering and Construction Company Limited;
- (3) “Director” shall mean Director of the Company of any designation.
- (4) “Key Managerial Personnel” or “KMP” shall mean the Key Managerial Personnel of the Company appointed as per Section 203 of the Act.
- (5) “Listing Regulations” shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time;
- (6) “Policy” shall mean this Policy on Related Party Transactions;
- (7) “Related Party” shall mean the following entities :
  - (a) Related Party as defined in Section 2(76) of the Companies Act, 2013;  
or
  - (b) Related Party under the applicable accounting standards. i.e. Accounting Standard 18 (AS 18)



- (8) “Related Party Transactions” shall mean the transfer of resources, services or obligations between the Company and a Related Party, 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 transaction in contract.

Notwithstanding the above, the following transactions amongst the Related Parties shall, by default, be considered as Related Party Transactions:

- (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;
- (9) “Relative” shall mean the following :
- (a) Relative as defined in Section 2(77) of the Companies Act, 2013; or
  - (b) Relative as defined under the applicable accounting standards. i.e. Accounting Standard 18 (AS 18)
- (10) “SEBI” shall mean the Securities and Exchange Board of India;
- (11) “Stock Exchanges” shall mean BSE Ltd. and National Stock Exchange of India Ltd. together; or any other Stock Exchange where the Company is listed
- (14) Ordinary Course of Business (OCB) : The Act has not provided definition of this term. However, all types of payments, services availed and/or rendered to Related Parties for a period preceding three years or more and the transactions related to objects mentioned in Memorandum of Association of the Company would be considered as in OCB
- (15) “Arm’s Length basis (AL)” : As per provisions of the Act, AL transaction means a transaction between two Related Parties that is conducted as if it was unrelated, so that there is no conflict of interest
- (16) All other words or expressions used but not defined in the policy, but defined in the Companies Act, 2013 read with rules made there under, the Listing Agreement, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the regulations made by SEBI shall have the same meaning as respectively assigned to them in such Acts, or rules or regulations, including any statutory amendments or re-enactments made thereto;

III **Parameter For Arms Length** : The parameters for AL be gauged based on any one or more of the following criteria :



- (a) Market Price, if readily available and a market exists for the same
- (b) Price / Profit margin charged by the respective Group Company to Unrelated Parties
- (c) Independent Valuations by an empanelled set of Independent Value's which have been approved by Audit Committee / Board
- (d) Obtaining two or three quotes from Unrelated Parties for similar transactions, subject to availability
- (e) Regulatory and other Obligations including Compliance and Transfer Pricing norms as required under the Provisions of Income Tax Act, 1961

**IV Material Transactions:**

Transactions between the Company and Related Parties shall be entered into in the manner that is complaint with the applicable provisions of the Companies Act, 2013, read with Rules framed thereunder and of Regulation 23 of the Listing Regulations

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transaction(s) during a financial year with such Related Party exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company

**V Process :**

The following process shall be followed by the Company in case of dealings / transactions with Related Parties, as defined in the Policy:

**(1) Approval of Audit Committee:**

Every transaction with the Related Party, irrespective of any price, whether charged or not, shall require prior approval from the Audit Committee of the Company

Provided that all the transactions as approved by the Audit Committee by means of an Omnibus Resolution shall be exempt

Further provided that, the Omnibus approval under this clause shall be valid for a period not exceeding one Financial Year and shall require fresh approval after the expiry of such Financial Year

**Omnibus Approval:**

Omnibus Approval shall be granted by the Audit Committee subject to the following conditions:



- (a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature
- (b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- (c) 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;

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 crore in aggregate per party.

However, omnibus approval shall not be made for the transactions in respect of selling or disposing of the undertaking of the Company

- (d) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of financial year

(2) **Approval of Board of Directors:**

In case of transactions with Related Parties, in respect of items mentioned in (a) to (g) of Clause II (8) of the Policy, in addition to the approval of the Audit Committee, the Board of Directors shall also provide consent for the Related Party Transaction.

Provided that in case the transactions mentioned in (a) to (g) of Clause II (8) of the Policy are entered into by the Company with the Related Parties in the Ordinary Course of its business and the transaction is at Arm's Length Price, then such transactions shall not require Board Approval.

Provided further that, the agenda of the Board Meeting or any document, either physical or electronic means, sent to the Board of Directors for their consent on



the Related Party Transaction under this clause shall consist of the following information:

- (i) The name of the Related Party and nature of relationship;
- (ii) The nature, duration of the contract and particulars of the contract or arrangement;
- (iii) The material terms of the contract or arrangement including the value, if any;
- (iv) Any advance paid or received for the contract or arrangement, if any;
- (v) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of contract;
- (vi) 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
- (vii) Any other information relevant or important for the Board to take a decision on the proposed transaction.

Further provided that the power to approve the Related Party Transactions may be exercised by the Board or any Committee, authorised thereof, and the procedure provided in this sub-clause shall apply to the Committee, *mutatis mutandis*, to provide such approvals.

(3) **Approval of the Members:**

All Material Transactions with Related Parties shall be carried out with the approval of the Members of the Company by way of a Resolution in the manner as specified under the Companies Act, 2013, read with Rules framed thereunder and of Regulation 23 of the Listing Regulations

**Explanation:**

- (1) In case of Wholly Owned Subsidiary, the resolution passed by the Company shall be sufficient for the purpose of entering into transactions between Wholly Owned Subsidiary and the Company.
- (2) The explanatory statement to be annexed to the notice of a General Meeting convened pursuant to section 101 shall contain the following particulars, namely:-
  - (a) name of the Related Party;
  - (b) name of the Director or Key Managerial Personnel who is related, if any;
  - (c) nature of relationship;
  - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
  - (e) any other information relevant or important for the members to take a decision on the proposed resolution.
- (3) Requirement of passing of resolution of Members shall not be applicable for 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' approval at the General Meeting for approval

VI **Disclosures:**

- (1) The Company shall make such disclosures in the Financial Statements, Annual Report, Boards' Report, Corporate Governance Report and in the Website of the Company and at all such places as may be required as per the provisions of the Act, Listing Regulations and all applicable laws.
- (2) The Company shall make disclosure of Related Party Transactions as required in Listing Regulations in the Quarterly Compliance Report on Corporate Governance filed with the Stock Exchanges.
- (3) This Policy, upon approval, shall be placed on the website of the Company and a reference thereto shall be drawn in the Annual Reports of the Company prepared after the date of this Policy.


VII **Authenticity and Severability:**

This Policy shall be applicable and binding on the Company, its officials, KMP and Directors of the Company so long as the Policy is in conformity with the applicable laws in force at that time.

In case, any of the clauses mentioned in this Policy are not in compliance with the existing laws in this regard, the existing laws shall prevail over the Policy. In case any part of this Policy is in conflict with the existing laws, that part shall be severed and the remaining Policy shall be applicable in total.

This policy has been approved by the Board of Directors of the Company in its Meeting held on May 29, 2017

For and on behalf of Board of Directors of  
IL&FS Engineering and Construction Company Limited

  
Mukund Sapre  
Managing Director

