
RELATED PARTY TRANSACTION POLICY

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India Factoring (IFSC) Private Limited

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1. INTRODUCTION

This Policy deals with the Related Party Transactions (RPTs) in terms of IFSCA guidelines, Companies Act, 2013 and other applicable laws, if any. The Board will review and may amend the policy from time to time.

2. DEFINITIONS

“Associate Company”, in relation to another company, means a company in which that other company has significant influence, but which is not a subsidiary company of the company having such influence and includes a joint Venture company.

Explanation- For the purpose of this clause, “significant influence” means control of at least 20% of total voting rights, or of business decisions under an agreement.

“Arms-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.

“Board of Directors” or “Board” means the Board of Directors of India Factoring (IFSC) Private Limited.

“Body Corporate” or “corporation” includes a company incorporated outside India, but does not include—

- (i) a co-operative society registered under any law relating to co-operative societies; and
- (ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

“Company” means India Factoring (IFSC) Private Limited (IFIPL).

“Control” shall have meaning as per Companies Act 2013 & Rules made thereunder and as per Accounting Standard.

“Joint Ventures” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“Key Managerial Personnel” in relation to a company, means-

- (i) The Chief Executive Officer or the Managing Director or the Manager or Unit Head of the Company;
- (ii) The Company Secretary;
- (iii) The Whole-time Director;
- (iv) The Chief Financial Officer; and
- (v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) Such other officer as may be prescribed under Companies Act 2013.

“Related Party” with reference to IFIPL means:

- i. a director or his relative;
- ii. a key managerial personnel or his relative;

- iii. a firm, in which director, manager or his relative is a partner;
- iv. a private company in which a director or manager or his 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 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. any company which is-
 - a) a holding, subsidiary or an associate company of such company; or
 - b) a subsidiary of a holding company to which it is also a subsidiary;
 - c) an investing company or the venturer of the company.

Explanation - For the purpose of this clause, “the investing company or the venturer 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 or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be a related party.
- x. Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

“Relative”, with reference to any person, means anyone who is related to another, if-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other in such manner as may be prescribed

List of relatives as per provisions of Companies Act 2013 -

A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:-

1. Father including ‘Step-Father’
2. Mother including ‘Step-Mother’
3. Son including ‘Step-Son’, Son’s wife.
4. Daughter including ‘Daughter’s husband’
5. Brother including ‘Step-Brother’
6. Sister including ‘Step-Sister’

“Related Party Transactions” means transactions specified in section 188 of the Companies Act, 2013 and as amended from time to time.

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, Accounting Standards or any other relevant legislation / law applicable to the Company.

3. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

The Company Secretary keeps a database of Related Parties containing the names of individuals and Companies identified based on the definition of Related Party and declaration provided by the Directors, including any revisions therein, and intimates to the Management as soon the Company Secretary has been intimated of such changes in Related Party. The list of Related Party shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments.

Each Director and Key Managerial Personnel is responsible for providing declaration to the Company Secretary of Related Party involving him or her or his or her Relative, including any additional information that the Company Secretary may reasonably request.

The functional departments shall submit to the head of Finance & Accounts and the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Board as explained subsequently) with draft agreement or other supporting documents justifying that the transactions are on arm's length basis at prevailing market rate. Based on such information, the Company Secretary will facilitate for the necessary approval from the Board.

4. DEALING WITH RELATED PARTY TRANSACTIONS

I. Approval by Board of Directors

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board

- i. IFIPL shall not 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 related party transactions.
 - g. Underwriting the subscription of any securities or derivatives thereof, of the company;
- ii. IFIPL shall not enter into a transaction or transactions, where the transaction or transactions to be entered into includes:
 - (i) 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
 - (ii) 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
 - (iii) leasing of property any kind amounting to ten percent or more of the turnover of the company
 - (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company
 - (v) appointment to any office or place of profit in the company, its subsidiary company

- or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in Point III (f) of this Policy
- (vi) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth as mentioned in Point III (g) of this Policy.

In relation to the above, the expression "office or place of profit" has been explained to mean any office or place—

- (a) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (b) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

Provided that nothing of the above shall apply to any transactions entered into by IFIPL in its ordinary course of business other than transactions which are not on an arm's length basis.

II. Approval by Shareholders

All transactions which are specified in Point I above and which are not in the ordinary course of business and not at arms' length basis shall require approval of shareholders by way of resolution.

However, the shareholder approval shall not apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties and for transactions 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.

5. PRE-REQUISITES FOR ENTERING INTO POTENTIAL RELATED PARTY TRANSACTIONS

A. Board Level Pre-requisites:

IFIPL shall enter into any contract or arrangement with a related party subject to the following conditions.

The agenda of the Board Meeting at which the resolution is proposed to be moved shall disclose-

- a) The name of the related party and nature of relationship;
- b) The nature, duration of the contract and particulars of the contract or arrangement;
- c) The material terms of the contract or arrangement including the value, if any;
- d) Any advance paid or received for the contract or arrangement, if any;
- e) The manner of determining the pricing and commercial terms, both included as part of contract and not considered as part of the contract;
- f) 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

- g) And other information relevant or important for the Board to take a decision on the proposed transaction.

Where any director is interested in any contract or arrangement with a related party, such director shall disclose his/her interest during the meeting and shall not participate in the discussions/deliberations.

B. Shareholders' Level Pre-requisites

For approval of the shareholders, a notice calling the General Meeting will be sent along with the explanatory statement to the Shareholders.

The explanatory statement to be annexed to the notice of a General Meeting convened for approval of the RPTs 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;

6. TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of an RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable or within 3 months from the date on which such contract or arrangement was entered into, before Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Board shall consider all relevant facts and circumstances regarding such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction and the Company shall take such action as the Board deems appropriate under the circumstances.

7. ASCERTAINING WHETHER RELATED PARTY TRANSACTIONS ARE ON AN ARM'S LENGTH BASIS

The tests for ascertaining arm's length relationship in case of contracts / arrangements that may be entered into by the Company with its related parties could be on the following lines –

- (a) The contracts/ arrangements are entered into with related parties, at such prices/ discounts/premiums and on such terms which are offered to un-related parties of similar category/ profile, if available.
- (b) The contracts/ arrangements have been commercially negotiated.
- (c) The pricing is arrived at as per the guidelines that may be issued by the Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961, Securities and Exchange Board of India as applicable to any of the contract/ arrangements contemplated under the Companies Act, 2013, or Rules framed thereunder.
- (d) The payments to group companies are made in the manner and at such rates prevalent in the market for similar category of goods and services and similar category/ profile of customers.
- (e) Any modification to the original contract/ arrangements is substantially on the same

price/discount/ premium and on such terms, as offered to un-related parties of similar category/ profile.

- (f) Such other criteria as may be issued by the Institute of Chartered Accountants of India or any other statutory/ regulatory authority

8. ASCERTAINING WHETHER RELATED PARTY TRANSACTIONS ARE IN THE ORDINARY COURSE OF BUSINESS OF THE COMPANY

- a. In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such contract/ arrangement is germane to attainment of the main objects as set out in its Memorandum of Association or such other activities as may be permitted, from time to time by Reserve Bank of India, the principal regulator of the Company.
- b. The Company shall also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.
- c. Further, whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. An exceptionally large value transaction should invite closer scrutiny.
- d. These are not exhaustive criteria and the Company will have to assess each transaction considering its specific nature and circumstances. In case of any confusion, final decision will be taken by the Managing Director.

9. DISCLOSURE REQUIREMENTS

This Policy will be communicated to all operational employees and other concerned persons of the IFIPL and shall be placed on the website of the IFIPL.

10. MONITORING & REVIEW

- i. Company shall maintain a register of all related party transactions.
- ii. Independent director shall oversee to ensure fairness of related party transactions.

11. CONSEQUENCE OF NON-APPROVAL/VIOLATION OF PROVISIONS OF RELATED PARTY TRANSACTIONS

- i. Where any contract or arrangement is entered into by a director or a KMP, without obtaining the consent of the Board or approval by a special resolution in the general meeting as required and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with related party to any director or a KMP, or is authorized by any other director concerned shall indemnify the company against any loss incurred by it.
- ii. Without prejudice to anything in the above para, it shall be open to IFIPL to proceed against a director or a KMP or any other employee who had entered into such contract or arrangement in contravention of the provisions of this policy for recovery of any loss sustained by it as a result of such contract or arrangement.

- iii. Any director or a KMP of IFIPL who had entered into or authorized the contract or arrangement in violation of the provisions of section 188 of the Companies Act 2013, in relation to RPTs may be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty five-thousands rupees but which may extend to five lakh rupees, or both, in case of conviction.