

हाउसिंग एण्ड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड, (भारत सरकार का उपक्रम), कोर 7ए, हडको भवन, भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली - 110 003
दूरभाष : 24648160 फैक्स : 011-24625308 Visit us at : www.hudco.org सीआईएन : U74899DL1970GOI005276
Housing & Urban Development Corporation Ltd., (A Govt. of India Enterprise), Core-7A, HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi-110003
Tel.: 24648160 Fax : 011-24625308 Visit us at : www.hudco.org CIN : U74899DL1970GO1005276

आई.एस.ओ. 9001 : 2008 प्रमाणित कम्पनी

AN ISO 9001 : 2008 CERTIFIED COMPANY

No. CSW/Circular/2017/

12th May, 2017

CIRCULAR

- Sub: 1. Policy on Materiality of Related Party Transactions & Dealing with Related Party Transactions; and
2. Policy for Determining Material Subsidiaries**

1. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board in its 579th Meeting held on 12th May, 2017 vide item no. 579.05, has approved the "Policy on Materiality of Related Party Transactions & Dealing with Related Party Transactions; and Policy for Determining Material Subsidiaries. Copies of the policies are enclosed for necessary compliances by all concerned.
2. The copy of the aforesaid policies are available on the website of the Company.

This issue with the approval of the Competent Authority.


Anish Kumar Sharma
Company Secretary

CC to:

1. All members of the Board of Directors of the Company, Key Managerial Personnel;
2. ES to CMD
3. AGM (S) to DCP
4. AGM (S) to DF
5. AGM (S) to CVO
6. Sr.EDs/EDs/GMs/Regional Chiefs/HSMI
7. ED (OL) for translation into Hindi.



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS & DEALING WITH RELATED PARTY TRANSACTIONS

[Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

I. INTRODUCTION

This Policy shall be called the 'Policy on Materiality of Related Party Transactions & Dealing with Related Party Transactions' of Housing and Urban Development Corporation Limited (HUDCO).

This Policy has been framed as per requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015].

II. APPLICABILITY

This Policy shall be applicable to all transactions between the Company and its Related Parties.

III. OBJECTIVE

This Policy provides the criteria for determining the materiality of Related Party Transactions. The objective of this Policy is to ensure proper approvals & reporting of the transactions between HUDCO and its Related Parties in compliance of provisions of the Companies Act, 2013, DPE Guidelines, SEBI (LODR) Regulations, 2015 and any other applicable statutory provisions for the time being in force, in this regard.

IV. DEFINITIONS

- 1. Arm's Length transaction:** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, as defined in Explanation (b) to Section 188 (1) of the Companies Act, 2013.
- 2. Associate Company:** As per Section 2(6) of the Companies Act, 2013, 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, "significant influence" means control of at least twenty per cent of total share capital, or of business decisions under an agreement.



3. **Audit Committee:** means "Audit Committee" constituted by the Board of Directors of the Company under the provisions of Listing agreement and Companies Act, 2013, from time to time.
4. **Board:** means Board of Directors of Housing and Urban Development Corporation Limited (HUDCO).
5. **Company:** means "Housing and Urban Development Corporation Limited (HUDCO)".
6. **Government Company:** As per Section 2(45) of the Companies Act, 2013, 'Government Company' means any company in which not less than fifty one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.
7. **Key Managerial Personnel (KMP) includes**
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-time director;
 - (iv) the Chief Financial Officer; and
 - (v) such other officer as may be prescribed
8. **Related Party:** An entity shall be considered as related to the Company if:
 - (i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or
 - (ii) such entity is a related party under the applicable accounting standard(s).

Related Party under Section 2(76) of the Companies Act, 2013 means

- (i) a Director or his relative;
- (ii) a Key Managerial Personnel or his relative;
- (iii) a firm, in which a Director, Manager or his relative is a partner;
- (iv) a private company in which a Director or Manager is a member or Director;



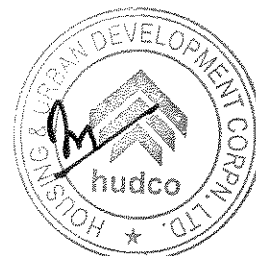
- (v) a public company in which a Director or Manager is a Director or holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager;
- (vii) any person on whose advice, directions or instructions a Director or 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.
- (ix) A Director or Key managerial personnel of the holding company or his relative.
- (x) such other person as may be prescribed under the Companies Act, 2013 or any other statutory provisions for the time being in force.

Related Parties under the applicable Accounting Standards: 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. They include the following:-

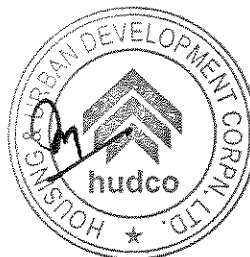
- a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;



- d) key management personnel and relatives of such personnel are those person who have authority and responsibility for planning, directing and controlling the activities of the reporting enterprise; and
- e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Clause 10 of the aforesaid Accounting Standards, defines certain terms which are also pertinent for ascertaining related party relationships and the same are as follows :-

Related party	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.
Related party transaction	A transfer of resources or obligations between related parties regardless of whether or not a price is charged.
Control	(a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.
Significant Influence	Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies
An Associate	An enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party.
A Joint Venture	A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.
Joint Control	The contractually agreed sharing of power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.



9. **Related Party Transaction:** Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements 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.

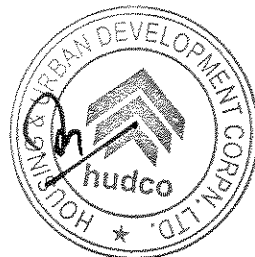
Further, as per SEBI (LODR) Regulations, 2015, "related party transaction" means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

10. **Relative:** As per Section 2(77) of the Companies Act, 2013, 'relative', with reference to any person, means anyone who is related to another in the following manner —

- a) as members of a Hindu Undivided Family;
- b) as husband and wife;
- c) Father including the step-father.
- d) Mother including the step-mother.
- e) Son including the step-son.
- f) Son's wife.
- g) Daughter.
- h) Daughter's husband.
- i) Brother including the step-brother.
- j) Sister including the step-sister.

11. **Subsidiary Company:** As per Section 2(87) of the Companies Act, 2013, a 'subsidiary company' or 'subsidiary', in relation to any other company (that is to say the holding company), means a company in which the holding company —

- (i) controls the composition of the Board of Directors; or



- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purposes of this clause -

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression "company" includes any body corporate;
- (d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

V. MATERIALITY OF RELATED PARTY TRANSACTIONS

A transaction with a related party shall be considered 'material' if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the company.

VI. DEALING WITH RELATED PARTY TRANSACTIONS

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the following:-

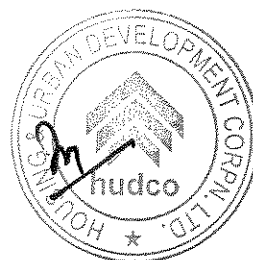
- A. Audit Committee:** All Related Party Transactions shall require prior approval of the Audit committee either by circulation or at a meeting. The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:



- a. The Audit Committee shall, after obtaining approval of the Board of Directors, lay down the criteria while granting omnibus approval 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 for transactions of repetitive nature and that such approval is in the interest of the Company;
- c. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, viz.:-
 - i. Repetitiveness of the transactions (in past or in future),
 - ii. Justification for the need of omnibus approval.
- d. Such omnibus approval shall specify :-
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into, in aggregate in a year, maximum value per transaction which is allowed,
 - (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.

However, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs 1 crore per transaction.

- e. 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.
- f. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.



- B. Board of Directors:** All Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length basis, shall require prior approval of the Board of Directors of the Company, by means of passing of resolution at a meeting of the Board.

Where any Director is interested in any Related Party Transaction, such Director will abstain from discussion and voting on the resolution relating to such transaction.

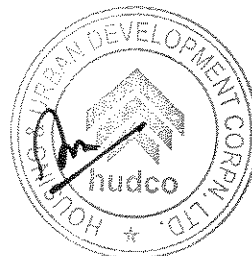
Respective SBU/Department heads shall be responsible for placing Agenda before the Audit Committee and /or Board of Directors in respect of all Related Party Transaction(s) requiring approvals (including omnibus approval or ratification) in accordance with the clauses of this Policy:-

- 1) Matters related to Borrowings, Resource-Mobilization, Investment of Surplus Funds, Banking, Finance & Accounts, Defaulters.
- 2) Matters related to Sanction & Disbursement of Loans (including proposals for subsequent relaxations / modifications etc and grant of rebate on interest rate, if any).
- 3) Matters related to Sale, Purchase or Supply of any goods or materials or equipment.
- 4) Matters related to availing of any services from any person, or rendering of any services to any person, including engagement of Consultant etc.
- 5) Matters related to Buying, Selling or otherwise Disposal of, or Leasing of property of any kind.
- 6) Matters relating to CSR activities.
- 7) All HR, Corporate Communications (CC) & Personnel-related matters including Deputation of Employees.
- 8) For other matters pertaining to any Division of the Company, which is not specifically covered above, and falls within the definition of "Related Party Transaction" as defined in this Policy.

- C. Shareholders of the Company:** Prior approval of the shareholders of the Company shall be required in case of :-

a) All material Related Party Transactions as per the Listing Agreement, through a Resolution;

b) All other Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length



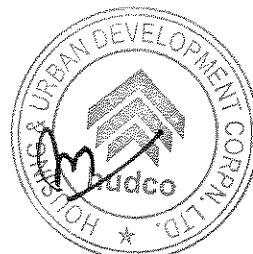
basis, whose value exceeds the threshold limits as prescribed under provisions of Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board & its Powers) Rules, 2014, as given below through an Ordinary resolution:-

Sl.No.	Nature of transaction as per Section 188 of the Companies Act, 2013	Threshold limit for seeking approval of shareholders
1	Sale, purchase or supply of any goods or materials directly or through appointment of agent.	Exceeding ten percent of the turnover of the Company or Rs 100 crore, whichever is lower.
2	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent.	Exceeding ten percent of net worth of the Company or Rs 100 crore, whichever is lower.
3	Leasing of property of any kind	Exceeding ten per cent of the net worth of the company or ten percent of turnover of the company or Rs 100 crore, whichever is lower.
4	Availing or rendering of any services directly or through appointment of agent.	Exceeding ten per cent of the turnover of the company or Rs 50 crore, whichever is lower.
5	Appointment of any agent for purchase or sale of goods, materials, services or property.	As per limits prescribed above in point 1,2 & 4 above.
6	Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;	At a monthly remuneration exceeding Rs 2.50 lakh per month.
7	Underwriting the subscription of any securities or derivatives thereof, of the company.	Exceeding 1% of the Net Worth of the Company.

Further, if the shareholders of the Company have passed a resolution approving the overall limit for any or all of the above-mentioned transactions taken together, the overall limit will be applicable for all the transactions taken together.

Explanation:-

1. The limits specified in sub-clauses 1) to 4) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.



2. Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.
3. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

VII. INFORMATION TO BE FURNISHED FOR SEEKING PRIOR APPROVAL OF THE AUDIT COMMITTEE, BOARD OF DIRECTORS & SHAREHOLDERS IN RESPECT OF RELATED PARTY TRANSACTIONS

The Agenda of the Audit Committee and Board Meeting seeking approval in respect of Related Party Transaction shall disclose the following:-

- (a) Name of the related party and nature of relationship;
- (b) Nature, duration of the contract and particulars of the contract or arrangement;
- (c) Material terms of the contract or arrangement including the value, if any;
- (d) Advance paid or received for the contract or arrangement, if any;
- (e) Manner of determining the pricing and other 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) Any other information relevant or important for the Board to take a decision on the proposed transaction.

Further, Explanatory Statement to be annexed to the notice of a general meeting seeking approval of shareholders shall contain the following particulars viz.:-

- (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.



VIII. RATIFICATION OF TRANSACTIONS WITH RELATED PARTIES WHICH WERE ENTERED WITHOUT BOARD / SHAREHOLDERS' APPROVAL

In exceptional circumstances, where it is not feasible to seek prior approval of the Audit Committee, Board of Directors and / or shareholders, as the case may be, in respect of any Related Party Transaction, then it shall be required to be ratified by the Audit Committee, Board of Directors and / or shareholders, as the case may be, within a period of three months of entering into Related Party Transaction.

Further, while submitting proposal for ratification of any Related Party Transaction by the Audit Committee / Board / shareholders, the concerned Division shall incorporate adequate justification for entering into Related Party transaction without seeking prior approvals, in the Agenda note.

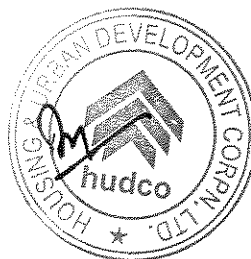
In case, the same is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.

IX. DISCLOSURES

1. Every Contract or arrangement entered with Related Parties with the approval of the Board / shareholders in line with Section 188 of the Companies Act, 2013 shall be referred in the Board's Report to the shareholders along with justification for entering into such contracts or arrangements.

The particulars of contracts or arrangements with related parties shall be disclosed in the Directors' Report of the Company for every financial year in Form AOC-2 or such other form as may be prescribed by the concern authority from time to time (enclosed as Annexure I to this policy), pursuant to provisions of Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

2. Details of transactions entered with any Related Party duly approved by the competent authority shall be furnished Audit Committee and Board of Directors to the within a period of 15



days from the end of each quarter in Form AOC-2 or such other form as may be prescribed by the concern authority from time to time.

3. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance, for onward submission to Stock Exchanges.
4. This Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.
5. Any other disclosures as may be required in accordance with the applicable statutory provisions.

X. POWER TO AMEND

The Chairman & Managing Director is authorized by the Board to amend/ modify/ alter/ add/ delete any of the clause(s) of above policies in the light of changes in statutory provisions/ other requirements; etc, from time to time'.

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Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

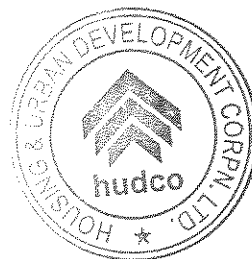
Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:
 - (a) Name(s) of the related party and nature of relationship,
 - (b) Nature of contracts/arrangements/transactions,
 - (c) Duration of the contracts / arrangements/transactions,
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any,
 - (e) Justification for entering into such contracts or arrangements or transactions,
 - (f) Date(s) of approval by the Board,
 - (g) Amount paid as advances, if any,
 - (h) Date on which the resolution was passed in general meeting as required under first proviso to Section 188.

2. Details of material contracts or arrangement or transactions at arm's length basis:
 - (a) Name(s) of the related party and nature of relationship,
 - (b) Nature of contracts/arrangements/transactions,
 - (c) Duration of the contracts / arrangements/transactions,
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any,
 - (e) Date(s) of approval by the Board, if any,
 - (f) Amount paid as advances, if any.

(Form shall be signed by the persons who have signed the Board's report)

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POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

[Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Housing and Urban Development Corporation Limited (HUDCO) does not have any subsidiary company as on date. However, it has formulated Policy for Determining Material Subsidiaries of HUDCO in compliance of requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

I. INTRODUCTION

This Policy shall be called 'Policy for Determining Material Subsidiaries' of HUDCO. This Policy has been framed as per requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

II. OBJECTIVE

This Policy provides the criteria for determining the Materiality of Subsidiary companies of HUDCO.

III. DEFINITION OF SUBSIDIARY COMPANY

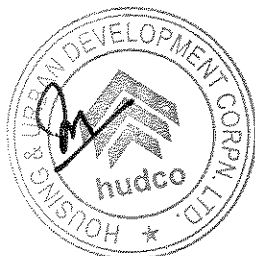
As per Section 2(87) of the Companies Act, 2013, a 'subsidiary company' or 'subsidiary', in relation to any other company (that is to say the holding company), means a company in which the holding company -

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation - For the purposes of this clause-

- (a) A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) Composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;



- (c) "Company" includes anybody corporate; and
- (d) "Layer" in relation to a holding company means its subsidiary or subsidiaries.

IV. CRITERIA FOR DETERMINING MATERIALITY OF SUBSIDIARIES

A subsidiary of HUDCO shall be considered 'material' if the income or net worth of the concerned subsidiary exceeds twenty percent of the consolidated income or net worth respectively, of HUDCO and its subsidiaries, in the immediately preceding accounting year.

Further, HUDCO shall **NOT** dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.

Further, selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/ lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

V. DISCLOSURES

This Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

VI. POWER TO AMEND

The Chairman & Managing Director is authorized by the Board to amend/ modify/ alter/ add/ delete any of the clause(s) of above policies in the light of changes in statutory provisions/ other requirements; etc, from time to time.

