



# INDIAN RAILWAY FINANCE CORPORATION LIMITED

## MATERIALITY POLICY

Approved on	29.08.2017
First Revision on	15.01.2020

## MATERIALITY POLICY

### A. INTRODUCTION

This document has been formulated to define the materiality policy for identification of (i) outstanding litigation involving Indian Railway Finance Corporation Limited (the “**Company**”) and its Directors; (ii) the Group Companies, and (iii) material creditors of the Company (together, the “**Policy**”), in terms of the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”).

This Policy shall be effective from the date of its approval by the Board of Directors.

In this Policy, the term “**Offer Documents**” shall mean the Draft Red Herring Prospectus, Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus.

### B. INTERPRETATION

In this Policy, unless the context otherwise requires:

- (i) words denoting the singular shall include the plural and vice versa.
- (ii) references to the words “*include*” or “*including*” shall be construed without limitation.

### C. POLICY PERTAINING TO THE IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

The policy with respect to the identification of the group companies of our Company, material creditors and material litigation shall be as follows:

#### **I. Materiality policy for Group Companies**

In terms of the SEBI ICDR Regulations, group companies, include (i) such companies (other than promoter(s) and subsidiary(ies)) with which the relevant issuer company had related party transactions during the period for which financial information is disclosed in the relevant Offer Document, as covered under the applicable accounting standards, and (ii) any other companies as considered “*material*” by the Board of Directors.

Accordingly, all such companies (i) covered under the schedule of related party transactions as per the Restated Financial Statements and (ii) other “*material*” group companies as considered by the Board of Directors (other than those covered under the schedule of related party transactions as per the Restated Financial Statements) shall be considered as Group Companies of the Company, for purposes of disclosure in the Offer Documents. Additionally, related parties with which there were transactions for the period after the period covered by the Restated Financial Statements, will also be considered as Group Companies of the Company, for purposes of disclosure in the Offer Documents.

#### **II. Materiality policy for identification of Material Creditors**

In terms of SEBI ICDR Regulations, the Company shall make the following disclosures in the Offer Documents for outstanding dues to creditors:

- (i) based on the policy on materiality adopted by the Board of Directors and as disclosed in the Offer Documents, details of the Company’s creditors, including the consolidated number of creditors and the aggregate amount involved; and
- (ii) consolidated information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved.

Additionally, complete details about outstanding overdues to material creditors along with the name and amount involved for each such material creditor (as per (i) above) shall be disclosed on the webpage of the Company with a web link thereto included in the Offer Documents.

For the purposes of identification of material creditors, in terms of point (i) above, a creditor of the Company, shall be considered to be material for the purpose of disclosure in the Offer Documents, if amounts due to such creditor exceeds 5% of the trade payables of the Company as per the Restated Financial Statements at the end of the most recent period.

### **III. Materiality policy for Litigation**

In terms of the SEBI ICDR Regulations, the Company shall disclose the following litigations involving itself and its Directors in the Offer Documents:

- (i) All criminal proceedings;
- (ii) All actions by statutory / regulatory authorities;
- (iii) Taxation proceedings - separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and
- (iv) Other pending litigations - As per the policy of materiality defined by the Board of Directors and disclosed in the Offer Documents.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose details of any pending litigation involving the Group Companies, which may have a material impact on the Company, as applicable.

For the purposes of determining material litigations as mentioned in point (iv) above, the following shall apply:

#### ***For Company***

For the purposes of point (iv) above, any other pending litigation will be considered “*material*” for purposes of disclosure in the Offer Documents, but which may or may not have any impact on the future revenues of our Company:

- (a) where the aggregate amount involved in such individual litigation exceeds five per cent (5.00%) of the profit after tax as per the Restated Financial Statements for the most recent fiscal;
- (b) where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in an individual litigation may not exceed five per cent (5.00%) of the profit after tax and amount involved in all of such cases taken together exceeds five per cent (5.00%) of the profit after tax as per the Restated Financial Statements for the most recent fiscal; and
- (c) outstanding litigation which may not meet the parameters set out in (a) or (b) above, but if such litigation has an adverse outcome, it would materially and adversely affect the business, operations, performance, prospects, financial position or reputation of our Company.

#### ***For Directors***

For the purposes of point (iv) above, any other pending litigation involving the Directors shall be considered “*material*” if the outcome of such litigation could have a material adverse effect on the position, business, operations, prospects or reputation of the Company, irrespective of the amount involved in such litigation, for the purposes of disclosure in the Offer Documents.

Further, pre-litigation notices received by the Company, a Director or a Group Company (collectively the “**Relevant Parties**”) from third parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action) shall, unless otherwise decided by the Board of Directors, not be considered

material until such time that the Relevant Party is impleaded as defendant in litigation proceedings before any judicial forum.

**D. APPROVAL**

This policy has been approved by our Board in its meeting held on August 29, 2017, as amended by the IPO committee in its meeting dated January 15, 2020.

**E. AMENDMENT**

The Board (including its duly constituted committees wherever permissible), shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. This Policy shall automatically stand amended to reflect any changes to the SEBI Regulations, to the extent the same is the subject matter of this Policy.

**F. GENERAL**

It is clarified that the Policy is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents and should not be applied towards any other purpose.

The Policy shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other regulatory or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI through its observations on the Offer Documents, or disclosures that may arise from any investor or other complaints.

The Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.

All other capitalised terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Documents.