
**POLICY ON
RELATED PARTY TRANSACTIONS**

POLICY ON RELATED PARTY TRANSACTIONS

1. Introduction

With the intent of good corporate governance, the Company emphasize maintaining an arm's length relationship in all transactions, including transactions with its Related Parties that may have potential or actual conflicts of interest with its stakeholders. Accordingly, the Board of Directors of Transport Corporation of India Limited ('the Company'), based on the recommendation of the Audit Committee, has adopted the following policy in conjunction with regulatory provisions contained under Section 188 of the Companies Act, 2013 read with Rules made therewith, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Indian Accounting Standards (Ind AS), as amended from time to time.

2. Objective

The objective of this Policy is to set out:

- a) the materiality thresholds for related party transactions & subsequent modifications thereof;
- b) the manner of approval of related party transactions pursuant to the provisions of section 188 of Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and any other laws and regulations as may be applicable to the Company; and
- c) to provide guidance on various disclosure and reporting requirements for Related Party Transactions.

3. Guiding Act/Regulations/Rules:

- a) The Companies Act, 2013 and rules made there under read with the circulars and notifications issued thereunder (with amendments or enactments thereof) from time to time (hereinafter referred to as "Companies Act, 2013");
- b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the circulars and notifications issued thereunder (with amendments or enactments thereof) from time to time (hereinafter referred to as "SEBI LODR" or the "Listing Regulations");
- c) Industry Standards on 'Minimum Information to be to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions' as issued by SEBI (hereinafter referred to as "RPT Industry Standards") and
- d) Indian Accounting Standard - 24 (with amendments or enactments thereof) (hereinafter referred to as "Ind AS").

The applicable provisions of the Companies Act, 2013, SEBI LODR, ISN, Indian Accounting Standards and the rules, notifications, amendments thereof are hereinafter collectively referred to as the "RPT Regulations".

4. Definitions

- a) "**Act**" means the Companies Act, 2013, including the Rules, Regulations, Schedules, notifications, circulars, clarifications and guidelines issued and amended by the Ministry of Corporate Affairs, from time to time.
- b) "**Audit Committee or Committee**" means Audit Committee constituted by the Board of Directors of the Company under provisions of SEBI LODR and Companies Act, 2013, from time to time.
- c) "**Arm's Length Transaction**" means a transaction among two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. The Company/its subsidiary(ies) would consider the guidelines given under Annexure IV to determine the arms' length pricing.

- d) **"Board"** means the Board of Directors of the Company, as constituted from time to time.
- e) **"Company"** means Transport Corporation of India Limited, including its divisions.
- f) **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- g) **"Industry Standards"** shall mean the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)" as notified by SEBI vide its circular dated February 14, 2025.
- h) **"Key Managerial Personnel"** means key managerial personnel (KMP) as defined under the Companies Act, 2013 as amended from time to time
- i) **"Material Modification"** means any modification with respect to the following:

Modification in the maximum limit of the amount approved with a related party for a financial year;

Modification in significant terms and conditions of the contract with a related party such as modifications in price, significant alteration to the credit period, changes in scope of deliverables under a contract;

Any other modification which as per the directions of the Audit Committee may be deemed material on case-to-case basis.

j) **"Material Related Party Transaction"**

- i. means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the below mentioned thresholds limits shall be considered as Material Related Party Transaction:

Annual Consolidated Turnover of the Company (Listed Entity) *	Materiality Threshold at Parent Company Level
Up to < 20,000 Crore	10% of the annual consolidated turnover of the Company
More than < 20,000 Crore to up to < 40,000 Crore	Rs. 2,000 Crore + 5% of the annual consolidated turnover of the Company above <20,000 Crore
More than < 40,000 Crore	Rs. 3,000 Crore + 2.5% of the annual consolidated turnover of the Company above <40,000 Crore or <5000 Crore, whichever is lower.

- ii. In case of transaction involving payment to a Related Party for brand usage or royalty, it shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company.

** The annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.*

- k) **"Policy"** means related party transaction policy.
- l) **"Related Parties"** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, rules prescribed thereunder, Regulation 2(1)(zb) of SEBI LODR or the relevant Indian Accounting Standards as amended from time to time.

With effect from 1 April 2023, the following shall also be treated as Related Parties:

- i. all persons or entities forming part of promoter or promoter group irrespective of their shareholding;
or
- ii. any person/ entity holding equity shares in the Company, either directly or on a beneficial interest basis at any time during the immediately preceding financial year to the extent of 10% or more.

Such other persons as may be notified from time to time under the Act or SEBI LODR or Accounting Standard.

m) **"Related Party Transaction"** means a transaction between the company and a Related Party which transaction is of the nature specified in sub-clause (a) to (g) of section 188(1) of the Act, and/or a related party transaction as per Regulation 2(1)(zc) of SEBI LODR i.e., transaction involving transfer of resources, services or obligations between:

- i. the Company or its subsidiaries on the one hand and a related party of the Company or its subsidiary on the other hand.
- ii. the Company or any of its subsidiaries on the one hand and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

The above transaction shall be considered as a related party transaction regardless of whether a price has been charged.

Additionally, the following are excluded from the definition of related party transaction:

- a) Issue of specified securities on a preferential basis provided that the issue is in conformity with the requirements of the SEBI (Issue of Capital and Disclosure Requirements) (ICDR) Regulations, 2018.
- b) the following corporate actions by the Company which are uniformly applicable to all the shareholders in proportion to their shareholding:
 - i. Payment of dividend
 - ii. sub-division or consolidation of securities
 - iii. issuance of securities by way of a rights issue or bonus issue.
 - iv. buy-back of securities
- c) retail purchases from any listed entity or its subsidiary by its directors or Key Managerial Personnel of the Company or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors, key managerial personnel and relatives of directors and key managerial personnel.
- n) **"Relative"** with reference to Related Party means the person as defined in Section 2(77) of the Act and rules prescribed thereunder.
- o) **"RPT Industry Standards"** shall mean the Industry Standards on "Minimum information to be provided for review of the Audit Committee and Shareholder for approval of Related Party Transaction (RPT)" as notified by SEBI vide its circular dated June 26, 2025.
- p) **"Subsidiary"** means a Company as defined under section 2(87) of the Act.
- q) **"Senior management personnel"** means the persons as defined under Regulation 16(1)(d) of SEBI LODR.

- r) Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI LODR, Securities Contracts (Regulation) Act, 1956 or any other applicable regulations.

5. Procedure

Transactions between the Company and/or its subsidiary(ies) and its related parties shall be entered into in the manner that is compliant with the applicable provisions of the Act and Regulation 23 of SEBI LODR.

5.1 Identification of Potential Related Party Transactions.

Each Director and Key Managerial Personnel is responsible for providing information to the Company Secretary of any potential Related Party Transaction(s) involving them or their relative, including any additional information about the transaction(s) that the Board/Audit Committee may reasonably request.

a. Approval of the Audit Committee

i. Prior Approval

Prior approval of Audit Committee must be obtained for all the following:

1. All Related Party Transactions and subsequent material modifications
2. A Related Party Transaction above Rs. 1 Crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of the Company is a party, *but Company is not a party*, if the value of such transaction exceeds the lower of the following:
 - a. 10% of the annual standalone turnover in accordance with the last audited financial statement of the Subsidiary or
 - b. the threshold for Material Related Party transactions as specified in definition 4(j)

Provided that if such subsidiary does not have audited financial statements for a period of at least 1-year, prior approval of the Audit Committee of the Company shall be obtained if the value of such transaction exceeds the lower of the following:

- a. 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
- b. the threshold for Material Related Party transactions as specified in definition 4(j)

Provided further that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

However, prior approval of the Audit Committee of the Company shall not be required for related party transactions where a listed subsidiary of the Company is a party, but the Company is not a party, if Regulation 23 and 15(2) of SEBI LODR are applicable to such listed subsidiary.

3. remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

4. The members of the Audit Committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:
- a) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 Crore;
 - b) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
 - c) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
 - d) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
 - e) any other condition as specified by the Audit Committee.

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

The Approval Matrix applicable to the matters covered herein is set out in Annexure III to this document.

ii. Omnibus Approval

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to the following conditions:

- i. 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.
- 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;

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 per transaction.

- iv. Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company or its subsidiary pursuant to each of the omnibus approval given.
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of 1 year.

b. Approval of the Board

All Related Party Transactions which are not in the ordinary course of business or not at the arm's length price shall require prior approval of the Board of Directors of the Company. Where any Director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

c. Approval of the Shareholders

All Related Party Transactions which are not in the ordinary course of business or not at the arm's length price and are exceeding threshold limits prescribed in Companies (Meetings of Board and its Powers) Rules, 2014 shall require prior approval of shareholders of the Company by way of Ordinary Resolution and all entities falling under the definition of Related Parties shall not vote to approve the relevant transaction, irrespective of whether the entity is a party to the particular transaction or not.

All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders by a resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Omnibus approval granted by the shareholders for Material Related Party Transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications or circulars issued thereunder from time to time.

Provided that in case of omnibus approvals for Material Related Party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed 1 year from the date of such approval.

Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI LODR, and/or in the industry standard from time to time shall be provided in the Notice to the shareholders for consideration of Related Party Transactions.

d. RPT Industry Standards

The RPT Industry Standards shall be applicable to:

Disclosure Criteria	Disclosure as per RPT Industry Standards
If RPTs (individually or combined with previous transactions) during the financial year [including transaction(s) approved by way of ratification] < Rs. 1 Crore	*Fully exempt from minimum information requirements
If RPTs (individually or combined with previous transactions) during the financial year [including transaction(s) approved by way of ratification] is < 1% of annual consolidated turnover of the Company or Rs. 10 Crore, whichever is lower	Disclosure as per Annexure - I
If RPTs [individually or combined with previous transactions) during the financial year (including transaction(s) approved by way of ratification] is > 1% of annual consolidated turnover of the Company or Rs. 10 Crore whichever is lower.	Disclosure as per Annexure -II
Material RPTs, as defined in 4(j) which are placed for approval of both the Audit Committee and the Shareholders.	

Exemption:

- i. The following transactions shall be excluded from the purview of the disclosures under Industry Standards: Transactions which are falling under Exemption Category as specified in para 5.6 of this policy.
- ii. Quarterly review of RPTs by the Audit Committee in terms of Regulation 23(3)(d) of the SEBI LODR.
- iii. Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including which are approved by way of ratification) do not exceed Rs. 1 Crore.

e. Exemption

The sub-regulation 23(3) and (4) of SEBI LODR (para 5.2 and 5.4 above) shall not be applicable in case:

- i. the 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.
- ii. 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.

6. Disclosures

The particulars of contracts or arrangements with related parties referred in Section 188(1) of the Act shall be disclosed in the Board's Report in Form AOC-2.

Affirmation of compliance status about related party transactions shall be provided in quarterly compliance report on corporate governance to the stock exchanges.

The Company shall submit disclosures of information related to Related Party Transactions to the stock exchanges every six months in the format specified by the SEBI with the following timelines:

- o simultaneously with the financials w.e.f. 1 April 2023.
- o and also publish the same on the website

The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

7. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the 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 failure of the internal control systems 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, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

8. Review of the Policy

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the SEBI LODR.

In case of any subsequent changes in the provisions of the Companies Act, 2013 and SEBI LODR or any other regulations which makes any of the provisions in the policy inconsistent with the RPT Regulations, the provisions of the RPT Regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with the RPT Regulations.

The Policy shall be reviewed by the Committee as and when any changes are to be incorporated in the policy as the Committee deems appropriate. The changes due to amendments in the Act, SEBI LODR, or any other rules & regulations shall not render this Policy ineffective, and the Policy shall be construed as in line with the amendments. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors. This policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

In the event of any conflict between the Policy and the provisions of any other statute, rule, regulation, the provisions of the statute will prevail.

This Policy will be communicated to all concerned persons of the Company and shall be placed on the website of the Company at www.tcil.com.

Annexure - I

If RPTs (individually or combined with previous transactions) during the financial year [including transaction(s) approved by way of ratification] is < 1 % of annual consolidated turnover of the Company or Rs. 10 Crore, whichever is lower, minimum information shall be provided to the Audit Committee seeking approval, are as follows:

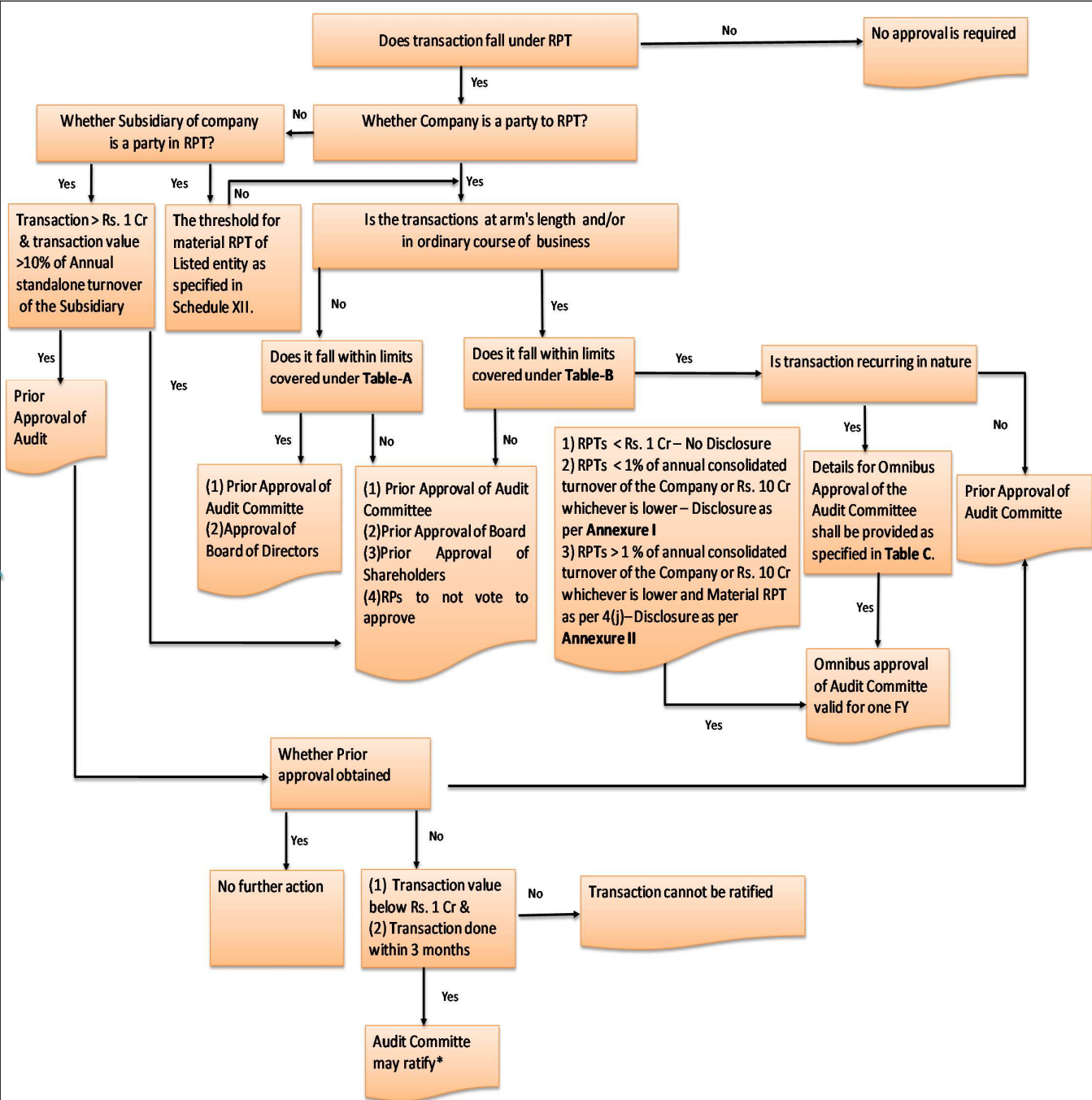
- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant.

Annexure - II

Particulars	Applicability
<u>Part A</u>	<p>Minimum information of the proposed RPT, applicable to all RPTs:</p> <p>A (1): Basic details of the related party</p> <p>A (2): Relationship and ownership of the related party</p> <p>A (3): Details of previous transactions with the related party</p> <p>A (4): Amount of the proposed transaction(s)</p> <p>A (5): Basic details of the proposed transaction</p>
<u>Part B</u> (in addition to PART A)	<p>Specific type of RPT as mentioned below is proposed to be undertaken:</p> <p>B (1): Sale, purchase or supply of goods or services or any other similar business transaction and trade advances</p> <p>B (2): Loans and advances (other than trade advances) or inter-corporate deposits given by the listed entity or its subsidiary</p> <p>B (3): Investment made by the listed entity or its subsidiary</p> <p>B (4): Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary.</p> <p>B (5): Borrowings by the listed entity or its subsidiary</p> <p>B (6): Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate.</p> <p>B (7): Transactions relating to payment of royalty</p>
<u>Part C</u> (in addition to PART A & B)	<p>Specific RPTs listed below, which are material as defined in 4(j):</p> <p>C (1): Transactions relating to any loans and advances (other than trade advance) or inter-corporate deposits given by the listed entity or its subsidiary.</p> <p>C (2): Investment made by the listed entity or its subsidiary.</p> <p>C (3): Guarantee (including performance guarantee in nature of security /contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary.</p> <p>C (4): Borrowings by the listed entity or its subsidiary.</p> <p>C (5): Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate.</p> <p>C (6): Transactions relating to payment of royalty.</p>

Annexure - III

Approval Matrix and Exclusions



**Transaction to be taken individually or together with previous transactions during a financial year*

**Only Independent members of the Audit Committee may ratify the transaction*

Table - A

S. No.	Nature of Transactions	Materiality as per the Act
1	Renting/Leasing of property	10% or more of the turnover
2	Purchase/sale of property	10% or more of the net worth
3	Purchase/sale of material, goods etc.	10% or more of the turnover
4	Availing/Rendering Services	10% or more of the turnover
5	Appointment of related party to an office or place of profit in Company, its subsidiary or associate company	monthly remuneration exceeding Rs. 2.5 Lakhs
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	exceeding 1% of the net worth
i) Net worth and turnover would be as per audited financial statements of the preceding financial year.		
ii) Transactions to be taken individually or together with previous transactions during a financial year		

Table - B

S. No.	Nature of Transactions	Materiality as per SEBI LODR*
1	Usage of Brand and payment of royalty thereof	Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.
2	Any other Transaction: with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds the following:	
SCHEDULE XII: RELATED PARTY TRANSACTIONS		
CONSOLIDATED TURNOVER OF LISTED ENTITY THRESHOLD		Threshold
(I)	Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II)	More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III)	More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower
*Including material modifications thereof.		
NOTE:		
<i>I. To compute the thresholds stated above, the annual consolidated of the listed entity shall be determined based on the last audited financial statements of the listed entity</i>		
<i>II. Transactions to be taken individually or together with previous transactions during a financial year</i>		

Table - C

The omnibus approval by the Audit Committee shall contain or indicate the following: –

- (a) name of the related parties;
- (b) nature and duration of the transaction;
- (c) maximum amount of transaction that can be entered into;
- (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
- (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Annexure-IV

Guidelines on Determination of Basis of Arm's Length Price

These are guidelines to employees on applying the arm's length principle. The guidance on the arm's length principle is applicable to all transactions, both local and cross-border, between the Company and its related parties.

Arm's Length Basis

The arm's length principle requires the transaction with a related party to be made at similar terms & price under comparable conditions and circumstances as a transaction with an unrelated party.

The application of arm's length principle involves the identification of comparable situation(s) or transaction(s) undertaken by unrelated parties against which the Related Party Transaction or margin is to be benchmarked. This step commonly known as "comparability analysis". It entails an analysis of the similarities and differences in the conditions and characteristics that are found in the Related Party Transaction with those in an unrelated party transaction.

The method as prescribed in Income Tax Act, 1961 as amended from time to time, may also be considered for determination of optimum Arm's Length price

Factors Affecting Comparability

a- Characteristics of Goods, Services or Intangible Properties under transactions

The specific characteristics of goods, services or intangible properties play a significant part in determining their values in the open market. For instance, a product of better quality and more features would fetch a higher selling price.

b- Analysis of Functions, Risks and Assets

Proposed pricing depends on the functional characteristics of the assets used and risks assumed. For instance, an entity selling a product with warranty should earn a higher return compared to another entity selling the same product without the provision of warranty. Likewise, a product with a reputable branding is expected to fetch a higher return compared to that of a similar product without the branding.

c- Commercial and Economic Circumstances

Prices may vary across different markets even for transactions involving the same property or services. In order to make meaningful comparisons of prices or margins between entities/transactions, the markets and economic conditions in which the entities operate or where the transactions are undertaken should be comparable.

d- Government policies and regulations

Government policies and regulations such as price controls etc. may have an impact on prices and margins. Hence, the effects of these regulations should also be examined as part of the examination for comparability of the market and economic conditions.

e- Commercial parlance, customs and trade practices

Custom and trade practices in respect of particular transaction(s) are important in determining the arm's length basis. For example, interest free security deposits given in property lease transactions.

Concluding basis of Arm's Length Price

Based on comprehensive assessment of the outcome of comparability analysis, significant similarities and differences between the transactions/entities in question and those to be benchmarked against, adjustments could be made for material differences identified.

Version History of this Policy:

Version	Date of approval
Version 1	29 th January, 2015
Version 2	12 th February, 2019
Version 3	29 th July, 2019
Version 4	29 th January, 2020
Version 5	27 th January, 2022
Version 6	25 th January, 2025
Version 7	4 th February, 2026
