



## **HMT LIMITED**

### **POLICY ON RELATED PARTY TRANSACTIONS & POLICY ON MATERIAL SUBSIDIARIES**

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# POLICY ON RELATED PARTY TRANSACTIONS

## 1. PREAMBLE

The Board of Directors of HMT Limited (“Company”) on 09th November, 2018 adopted the policy & procedure on related party transaction with regard to dealings with related parties as defined below. This policy is to regulate transactions between the company and its related parties based on the applicable laws, rules and regulations. The Audit Committee reserves the power to review and amend this policy from time to time. Audit Committee and Board of Directors have reviewed and updated on .....

## 2. PURPOSE

The SEBI (LODR) Regulation, 2015 mandates every listed company to frame a Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions. As such this policy shall define the approval mechanism and reporting of transactions between the Company and its related parties as per the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and also to comply with the applicable provisions of the Companies Act, 2013 including provisions of Section 188, categorizing the transactions which require the approval of Audit Committee, Board & Shareholders.

**Applicability:** The policy will come into effect from 09th November, 2018, the date of the approval by the Board of Directors of the Company.

## 3. DEFINITIONS

- a. “**Act**” shall mean the Companies Act 2013 and the rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.
- b. “**Arm’s Length basis**” in pursuance of Explanation (b) to Section 188 (1) of the Act means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- c. “**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,—

(a) the expression “significant influence” means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;]

- d. **“Audit Committee”** or “Committee” means “Audit Committee” of the Board of Directors of the Company.
- e. **“Board of Directors”** or “Board” means the collective body of the Directors of the Company.
- f. **“Company”** means HMT Limited
- g. **“CPSE”** means Central Public Sector Enterprise.
- h. **“Government Company”** - In accordance with section 2(45) of the Companies Act, 2013 read with related rules issued thereon, 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;
- i. **“Key Managerial Personnel”** shall mean “Key Managerial Personnel” as defined in section 2(51) of the Companies Act, 2013 and rules made thereunder

“Key Managerial Personnel” under section 2(51) of the Companies Act, 2013 are

- (i) the Chief Executive Officer or the managing director or the manager viz., (and includes C & MD)
- (ii) the Company Secretary;
- (iii) the Whole-time Director (s);
- (iv) the Chief Financial Officer viz., (Any Designated by Board to act as CFO) ; and
- (v) such other officer as may be prescribed.

- j. **“Material Related Party Transactions”**: A 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower .

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- k. **Material modifications** shall mean modification of more than 30% in the approved amount of related party transactions.
- l. **“Net worth”** means Net worth as defined in Section 2 (57) of the Companies Act, 2013.

- m. **“Ordinary Course of Business”** includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:
- (i) is normal for particular business (i.e. features in system, processes, advertising, staff training, etc.)
  - (ii) is frequent and regular
  - (iii) involves significant amounts of money
  - (iv) is a source of income for business
  - (v) involves significant allocation of resources
  - (vi) is involved in a service or product that is offered to customers
- n. **“Policy”** means Related Party Transactions Policy of the Company.
- o. **“Related Party”** means a person or an entity:
- (i) which is a related party under Section 2 (76) of the Companies Act, 2013; or
  - (ii) which is a related party under the applicable Indian Accounting Standards (IND AS 24)

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
  - (b) any person or any entity, holding equity shares:
    - (i) of twenty per cent or more; or
    - (ii) of ten per cent or more, with effect from April 1, 2023;in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;
- shall be deemed to be a related party:

**A. As per Section 2 (76) of the Companies Act 2013 and rules made thereunder, Related Party, with reference to a company, 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 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 two percent 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; or
  - (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 (other than an independent 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) such other person as may be prescribed

**B. Related Parties under the applicable Indian Accounting Standards 24 (IND AS 24) are as follows:**

**The following terms are used in this Standard with the meanings specified:**

A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

*A related party transaction* is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. *Close members of the family of a person* are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- (a) that person's children, spouse or domestic partner, brother, sister, father and mother.
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

*Compensation* includes all employee benefits (as defined in Ind AS 19, *Employee Benefits*) including employee benefits to which Ind AS 102, *Share based Payments*, applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

- (a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- (b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- (c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- (d) termination benefits; and
- (e) share-based payment.

*Key management personnel* are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

*Government* refers to government, government agencies and similar bodies whether local, national or international.

A *government-related entity* is an entity that is controlled, jointly controlled or significantly influenced by a government.

The terms 'control' and 'investment entity', 'joint control' and 'significant influence' are defined in Ind AS 110, Ind AS 111, *Joint Arrangements*, and Ind AS 28, *Investments in Associates and Joint Ventures*, respectively and are used in this Standard with the meanings specified in those Ind ASs.

- p. **"Related Party Transactions"**: Section 188 (1) 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:

As per **SEBI (LODR) Regulations, 2015**, "Related Party Transaction" means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;

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 transactions in a contract:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of



the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s);

- q. As per section 2 (77) of the Companies Act, 2013, “**Relatives**”, 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 person as:
    - (a) Father (including step- father)
    - (b) Mother (including step- mother)
    - (c) Son (including step- son)
    - (d) Son’s wife
    - (e) Daughter
    - (f) Daughter’s husband
    - (g) Brother (including step- brother)
    - (h) Sister (including step- sister)
- r. “**SEBI (LODR) Regulations**” means Security and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued vide Gazette notification No. SEBI/LAD-NRO/GN/2015-16/013 dated 2nd September, 2015 and includes modifications, amendments, Circulars, clarifications thereto.
- s. “**Senior management**” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.]
- t. “**Subsidiary Company**” means subsidiary company as defined in Section 2(87) of the Companies Act, 2013
- u. “**Transaction**”: A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

#### **4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

##### **4.1 Approval of Audit Committee**

- (1) As per rule 6A of the Companies (Meetings of Board & its Powers) Rules, 2014, All related party transactions, shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company.

As per regulation 23 (1) of SEBI (LODR) Regulation, 2015, a 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- (2) As per regulation 23 (2) of SEBI (LODR) Regulation, 2015 All related party transactions and subsequent material modifications shall require prior approval of the Audit committee of the listed entity. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- (b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
- (c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- (3) Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-
- (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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

- (b) The Audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) The omnibus approval shall specify:
  - (i) The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

- (d) The audit committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
  - (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:
- (4) All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not: Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI (LODR) Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

- (5) As per regulation 23 (5) of the SEBI (LODR) Regulation, 2015, the provisions of above (2), (3) and (4) shall not be applicable in the following cases:
- (a) Transactions entered into between two government companies;
  - (b) 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.

- (c) 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.]

Explanation. - For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

(6) Details to be provided to Audit Committee

The following details/information shall be provided to the Audit Committee for entering into Related Party Transaction (s):

- A Name of the Related Party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- B Particulars of the contract or arrangement including material terms and the value, if any;
- C Any advance paid or received for the contract or arrangement, if any
- D Manner of determining the pricing (indicative base price / current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract;
- E 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
- F Whether at Arm's Length basis and in the Ordinary Course of Business
- G Received justification for the need of omnibus approval
- H Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Approval of Audit Committee may be obtained by way of circular resolution or at a duly convened meeting of the Audit committee.

## 4. 2. Approval of Board of Directors and Shareholders

### 4.2.1 Under section 188 of the Companies Act, 2013

In case of specified Related Party Transaction(s) as mentioned in section 188(1) of the Companies Act, 2013 prior approval of Board and/or Shareholders is required for entering into any contract or arrangement with a Related Party as per the following:

- a. **Prior approval of the Board at a meeting** - transaction which are **not in ordinary course of business** or **not on arm's length basis**.
- b. **Prior approval of the Shareholders by way of ordinary resolution** which are **not in ordinary course of business** or **not on arm's length basis** and beyond threshold limits. (after due approval by the Board).

### Specified RPT(s) u/s 188(1) of the Companies Act, 2013

Sl. No	Approval of the Board	Approval of the Shareholders (Threshold limits)
a)	sale, purchase or supply of any goods or materials-	Amounting to 10% or more of the turnover of the Company
b)	selling or otherwise disposing of, or buying, property of any kind	Amounting to 10% or more of net worth of the Company
c)	leasing of property of any kind	Amounting to 10% or more of the turnover of the Company
d)	availing or rendering of any services	Amounting to ten % or more of the turnover of the company
e)	appointment of any agent for purchase or sale of goods, materials, services or property	As per limit prescribed in clause a), b) and d), in case resulted into appointment of agent
f)	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 Lakhs
g)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

#### Explanations:

1. Limits specified in sub-clauses a) to d) 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.

#### 4.2.2 Exemptions from Shareholders approval

Approval of Board and shareholders shall not be required in the following cases of Material Related Party Transactions which are on arm's length and in the ordinary course of business:

- (i) Transactions entered into between two government companies;
- (ii) 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.
- (iii) 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.

Explanation - For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

#### **4.2.3 General**

1. No member of the Company shall vote on ordinary resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party for such contract or arrangement. Provided also that nothing contained herein shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties
2. Approval of Board shall be obtained at a duly convened meeting.
3. Any Director or KMP who has a potential conflict of interest in any Related Party Transaction shall not participate in any discussion or approval of a Related Party Transaction and shall not be counted in determining the presence of quorum of the meeting when such transaction is considered.
4. It will be the responsibility of concerned Director and KMP to provide advance notice to the Company of any potential related party transaction involving him/her or his relatives and any additional information that Audit Committee or the Board may require.

#### **5. REPORTING OF RELATED PARTY TRANSACTION**

1. Any related party transaction between the HMT Limited, its Subsidiaries and Associate Companies should be brought to the notice of the Chief Financial Officer (CFO) at CHO for obtaining necessary approval.
2. All the Directors of the Company and Key Managerial personnel (KMP) shall disclose their interest to the Board in the Form MBP-1 which consist names of his / her relatives and the names of the firms / companies / body Corporate in which he /she is interested.

The KMP/ Directors will disclose Related Party Transaction as per section 184 (2) for prior approval at the earliest.

The Company Secretary shall at the earliest inform CMD / Director Finance & CFO at CHO, the details of disclosures made by the Directors / KMPs.

3. The CFO will identify the potential transactions with the Related Parties. These Related Party Transactions will be categorized as those requiring a) prior approval, b) omnibus approval based on the criteria laid down in consultation with finance.
4. CFO with the concurrence of Director Finance forward to the Company Secretary, the details of related party transactions to be placed before the Audit Committee / Board. The CMD ensure placing of the related party transaction at the earliest before the Audit Committee or the Board.

## **6. RATIFICATION OF RELATED PARTY TRANSACTIONS**

In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the matter shall be reviewed by the Audit Committee.

- a. If prior approval of the Audit Committee/Board/Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee/Board/Shareholders, as the case may be, within 3 (three) months of entering in the Related Party Transaction.
- b. In case Related Party Transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board or as the case may be, of the shareholders and if the contract or arrangement is with a Related Party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.
- c. In any case where either the Audit Committee/Board/Shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee/ Board/ Shareholders has authority to modify or waive any procedural requirements of this Policy in the best interest of the Company.

## **7. DPE GUIDELINES**

Any specific provision on related party transaction specified by DPE guidelines from time to time has to be considered.

## **8. DISCLOSURES**

- a. Every contract or arrangement entered with Related Parties with the approval of 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 the justification for entering into such contract or arrangements.
- b. Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- c. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- d. Name of all Related Parties & nature of relationships & details of all Related Party transactions should be disclosed in the financial statement as per Ind AS 24.
- e. The Company shall keep with Company Secretary one or more registers giving separately the particulars of all contracts or arrangements with any Related Party which require approval of the Board as per provision of the Companies Act, 2013.

## 9. SECTION/REGULATION REPRODUCED

### 8.1. Disclosure of interest by Director/KMP (Section 184 of the Companies Act 2013 reproduced)

- (1) *Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.*
- (2) *Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—*
  - (a) *with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or*
  - (b) *with a firm or other entity in which, such director is a partner, owner or member, as the case may be,**shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:*

*Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.*
- (3) *A contract or arrangement entered into by the company without disclosure under sub-section (2) or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.*
- (4) *If a director of the company contravenes the provisions of sub-section (1) or subsection (2), such director shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to one lakh rupees, or with both.*
- (5) *Nothing in this section—*
  - (a) *shall be taken to prejudice the operation of any rule of law restricting a director of a company from having any concern or interest in any contract or arrangement with the company;*
  - (b) *shall apply to any contract or arrangement entered into or to be entered into between two companies where any of the directors of the one company or two or more of them together holds or hold not more than two per cent. of the paid-up share capital in the other company.*



## 8.2. Regulations 23 of SEBI (LODR) Regulation, 2015 is reproduced below

- (1) *The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly:*

*Provided that a 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.*

- (1A) *Notwithstanding the above, with effect from July 01, 2019 a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.*

- (2) *All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity]:*

*Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.*

*Provided further that:*

- (a) *the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;*
- (b) *a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;*
- (c) *with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;*
- (d) *prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.*

*Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.*

- (3) *Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-*
- (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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;*
  - (b) *the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;*
  - (c) *the omnibus approval shall specify:*
    - (i) *the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.*

- (d) *the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.*
  - (e) *Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:*
- (4) *All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require prior approval of the shareholders through resolution and 128[no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:*

*Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.*

*Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.*

*Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;*

- (5) *The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:*

*(a) transactions entered into between two government companies;*

*(b) 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.*

*(c) 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.*

*Explanation. - For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.*

- (6) *The provisions of this regulation shall be applicable to all prospective transactions.*

- (7) *All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.*

- (8) *The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:*

*Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:*

*Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:*

*Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.*

## **10. LIMITATION/ AMENDMENTS IN LAW**

In the event of any conflict between the provisions of this Policy and of the SEBI (LODR) Regulations, 2015 / Companies Act, 2013 or any other statutory enactments, rules, then, the provisions of the SEBI (LODR) Regulations, 2015 / Companies Act, 2013 or other statutory enactments, rules, as the case may be shall prevail over this Policy and shall be adhered to accordingly by all concerned.

Any subsequent amendment/modification in the Companies Act, 2013, rules made thereunder or in the SEBI (LODR) Regulations, 2015 and/or other applicable laws in this regard shall automatically apply to amend this policy.

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## **POLICY ON MATERIAL SUBSIDIARIES**

“Material subsidiary” shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively of the listed entity and its subsidiaries in the immediately preceding accounting year.

The company 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.

Prior approval of shareholders by way of special resolution shall be obtained for 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 unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

At least one Independent Director of the Company shall be a Director on the Board of the unlisted Material Subsidiary of the Company incorporated in India.

The management of unlisted Material Subsidiary shall periodically bring to the notice of the Board of the Company of all significant transactions and arrangements entered into by the unlisted Material Subsidiary.

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