

HISAR METAL INDUSTRIES LIMITED

Regd. Off & Works: Near Industrial Development Colony, Hisar-125005 (HRY)

Phone: 01662-220067,220367,220738 Fax 01662-220265

Email :info@hisarmetal.com, Web www.hisarmetal.com

CIN No: L74899HR1990PLC030937

POLICY ON RELATED PARTY TRANSACTIONS

1. SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. The Board of Directors ("the Board") of Hisar Metal Industries Limited ("the Company") understands the importance of stakeholders' confidence and trust in the Company. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["**Listing Regulations**"], the Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

Accordingly, to ensure transparency and fairness throughout the entire process of undertaking related party transactions, with a view to safeguard the Company's interests, the Company has framed this Policy on Related Party Transactions ("**Policy**"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of identifying, assessing, approving and reporting with the transactions between the Company and its related parties after obtaining necessary approvals and are reported in accordance with the disclosure requirements and best corporate governance practices.

The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions as applicable.

3. LEGAL FRAMEWORK:

- The Companies Act, 2013
- Indian Accounting Standard 24, issued by MCA
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- The Income Tax Act, 1961

Effective from April 1, 2019

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4. DEFINITIONS

Unless the context otherwise requires, the words, terms and expressions used in this Policy shall have the meanings given in Section 2 of the Companies Act 2013.

- (a) "Act" shall mean the Companies Act, 2013 and the rules framed there under, including any modifications, amendments, clarifications circulars or re-enactment thereof.
- (b) "Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (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.
- (d) "Board" means the Board of Directors of the Company.
- (e) "Compliance Officer" means the Officer appointed by the Board or under this Policy from time to time.
- (f) "Officer" includes any Director, Manager or Key Managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act.
- (g) "Key Managerial Personnel" 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.
- (h) "Related Party" means Related Party as defined under Section 2 of the Companies Act, 2013, Listing Regulations and/ or under the applicable accounting standards, as amended from time to time.
- (i) "Relative" with reference to any person, means anyone who is related to another, if—
 1. they are members of a Hindu Undivided Family
 2. they are husband and wife
 3. Father : Provided that the term "Father" includes step-father
 4. Mother : Provided that the term "Mother" includes step-mother
 5. Son : Provided that the term "Son" includes step-son
 6. Son's wife

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7. Daughter
8. Daughter's husband
9. Brother: Provided that the term "Brother" includes step-brother
10. Sister: Provided that the term "Sister" includes step-sister

(j) "Office or place of profit" means any office or place—

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

(k) "Control" includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position;

Explanation.—"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.

Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

(l) "Material Transaction(s)":

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.

All such transactions shall require approval of the shareholders through Special Resolution.

(5) TRANSACTIONS COVERED UNDER THE COMPANIES ACT, 2013

Transactions covered by this Policy include any contract or arrangement with a related party with respect to:-

- (a)** sale, purchase or supply of any goods or materials;
- (b)** selling or otherwise disposing of, or buying, property of anykind;
- (c)** leasing of property of anykind;

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- (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.

Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and on an arm's length basis shall not require any approval of the Board of Directors of the Company.

(6) DETERMINATION OF MATERIAL RELATED PARTY TRANSACTIONS

The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of Regulation 23(4) of the Listing Regulations. The said threshold shall be subject to SEBI Listing Regulations and will be reviewed in accordance with the provisions of the said regulations.

Such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

(7) POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval of the Committee or the Board or the Shareholders as required under this Policy.

(I) Identification of Related Party Transactions:

- Each Director and Key Managerial Personnel is responsible for providing notice to the Board/Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Board/Audit Committee may delegate such powers to the officer(s) of the Company as it deems fit.
- As regards transactions with Related Parties that require prior approval of the Board/Audit Committee, the Chief Financial Officer shall be responsible to notify the Board/ Audit Committee of any such potential Related Party Transactions.
- Such notice of any potential Related Party Transaction shall be given well in advance to the Board/ Audit Committee and shall also contain adequate information about the Related Party

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transaction(s). This will provide the Board/Audit Committee members adequate time and information to consider and review the proposed transaction(s).

(II) Approval for Related Party Transactions:

The Company shall not enter into any Related Party Transaction except as stated hereinafter.

(i) Transactions requiring approval of Audit Committee:

- All Related Party Transactions shall require approval of the Audit Committee. Except for transactions between the Company and its wholly owned subsidiary/(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval ("WOS"), all Related Party Transactions shall require a prior approval of the Audit Committee. Provided that any Related Party Transaction which is not in the ordinary course of business or not at arm's length shall require a prior approval of the Audit Committee.
- The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company

(ii) Transactions requiring approval of Board:

Following transactions shall require a prior approval of the Board:

- Related Party Transactions which are not in the ordinary course of business or not at arm's length price.
- Material Related Party Transactions.

(iii) Transactions requiring approval of Shareholders of the Company:

- All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.
- All Related Party Transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act requiring the approval of shareholders, shall require an approval of the Shareholders by way of a resolution passed at the general meeting of the Company; and in such cases, the Related Party/(ies) to the transaction shall abstain from voting on such resolution.

(8) REVIEW AND APPROVALS

1. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company considering the repetitive nature of the transactions, subject to the following conditions:

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- (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 as per the provisions of Companies Act and Rules thereunder and Listing Regulations.
 - (ii) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
 - (iii) Such omnibus approval shall specify :-
 - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - b) the indicative base price / current contracted price and the formula for variation in the price if any and
 - c) 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, atleast on a quarterly basis, the details of RPTs entered into by the company 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 one year.
2. The provisions of sub-regulations (2), (3) and (4) of Regulation 23 of Listing Regulations 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.

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.

3. The listed entity shall submit within 30 days from the date of publication of its standalone financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website

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9. DISCLOSURE

The Related Party Transactions shall be disclosed in the Company's applicable filings as required by the Companies Act, 2013 and Listing Regulations. The Company shall also disclose the Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

10. AMENDMENT OF POLICY

Notwithstanding the above, the applicable provisions and amendments, if any, under the Companies Act, 2013 and/ or Listing Regulations in respect of Related Party Transactions shall be implemented by the Company. The Audit Committee may recommend amendments to this Policy from time to time as it deems appropriate.
