

# **HARIOM PIPE INDUSTRIES LIMITED**

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH  
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*[Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]*

### **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. 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 Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulation 23"), Hariom Pipe Industries Limited (Company) has formulated policy 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.

In the light of the above, 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 dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

### **3. Definitions:**

**3.1. "Act"** means the Companies Act, 2013.

**3.2. "Regulation 23"** means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**3.3. "Related Party"** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015.

**3.4. "Relative"** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

**3.5. "Related Party Transaction"** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, including but not limited to the following –

- 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. appointment to any office or place of profit in the company
- g. underwriting the subscription of any securities or derivatives thereof, of the company.

**3.6. "Material Related Party Transaction"** 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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the listed company “.

**3.7. "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.

**3.8. "Ordinary course of business"** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

*Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.*

#### **4. Related Party Transactions:**

Related Party Transactions, whether under the Act or under the Income Tax Act, 1961 including nuances and changes therein are informed to the Senior Management from time to time by the Corporate Finance team including those in Direct and Indirect Taxations.

As a matter of policy, regardless of whether an entity is a Related Party or not, there is an inherent mechanism by which comparative quotes are obtained from more than one source

before fixing prices in respect of procurements. When it comes to pricing of sale transactions, there is no specific guideline or instruction for any concessional approach to be adopted for sale transactions with Related Parties. Any transfer of resources, services or obligations between the Company and a Related Party, would get covered as a 'Related Party Transaction', whether or not, there is an element of consideration or price.

## **5. Materiality Thresholds:**

Contracts/ arrangements with a related party shall be considered as "material" if the contracts/ transactions to be entered into individually or taken together with previous transactions during a financial year under such contracts/ arrangements exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statement or such sum as may be prescribed under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and as amended from time to time.

A transactions involving payments made to related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year exceeds Five percent of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

## **5. Review and Approval of Related Party Transactions:**

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction may remain present in the meeting but shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not and shall not be counted in determining the presence of a quorum when such transaction is considered.

### **5.1 Approval of Audit Committee**

The Company shall enter into Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

The Audit Committee shall lay down the criteria for granting omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

Such omnibus approval shall specify the following:

- i. Name(s) of the Related Party;
- ii. Nature of the transaction; Period of transaction;
- iii. Maximum amount of transaction that can be entered into;
- iv. The indicative base price / current contracted price and the formula for variation in the price, if any, and;
- v. Such other conditions as the Audit Committee may deem fit.

In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to the value as prescriber under the Companies Act or any other laws as applicable.

The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given; Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The Audit Committee shall also undertake an evaluation of the Related Party Transaction.

## **5.2 Approval of the Board of Directors**

The following transactions shall require a prior approval of the Board:

- i. Related party transactions which are not in the ordinary course of business or not at arm's length price;
- ii. Material related party transactions.

Any Member of the Board of Directors falling under the definition of related party shall not vote to approve the relevant transaction irrespective of whether the Member is a party to the particular transaction or not

## **5.3 Approval of Shareholders**

Following transactions shall require prior approval of the Shareholders/Members of the Company by way of a Resolution passed at the general meeting of the Company:

- i. All material related party transactions;
- ii. 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.

No Related Party of the Company shall vote to approve on such Resolution if such Member is a related party. If prior approval of the Audit Committee or Board or Shareholders/Members for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board or general meeting, if required, within 3 months of entering in the Related Party Transaction.

In any case where either the Audit Committee or Board or Shareholders/Members determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or Shareholders/Members, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification.

In connection with any review of a Related Party Transaction, the Audit Committee or Board has authority to modify or waive any procedural requirements of this Policy. In determining whether to approve or ratify a Related Party Transaction.

#### **5.4 Related Party Transactions that shall not require Approval:**

The following transactions shall not require separate approval under this Policy:

- i. Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the Act, in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business;
- ii. Indemnification and advancement of expenses made pursuant to any agreement or by-laws of the Company;
- iii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party;
- iv. Any transaction which is in the Ordinary Course of Business and on an Arm's Length Basis as determined in terms of this Policy.
- v. Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made thereunder, and must be approved in advance by the Audit Committee.

#### **5.5 Approval by Circular Resolution**

In the event the company management determines that it is impractical or undesirable to wait until a meeting of the Board/Committee to enter into a Related Party Transaction, such transaction may be approved by the Board/Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Board/Committee at its next scheduled meeting.

## **5.6 Approval of “Material” Related Party Transactions**

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

## **6. Disclosure**

In terms of Regulation 23 of the LODR, the Company shall, in relation to a Related Party, make the following disclosures:

a) Details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given, if any.

b) Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.

c) The Company shall disclose the contract or arrangements entered into with the Related Party in the Board report to the shareholders.

d) The Company shall submit within thirty (30) days from the date of publication of its standalone and consolidated 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.

e) The Company shall disclose this Policy in the Annual Report by providing a web link to this Policy.

## **7. Policy Review:**

Where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy and procedures until such time as this Policy is changed to conform to the law, rule, regulation or standard.

## **8. Amendments:**

The Company may amend the Policy as and when it deems necessary either pursuant to any change in law or otherwise. The Company shall be free to devise and implement any supplementary or other policies and guidelines in respect hereof for better implementation of this Policy.

## **9. Dissemination of the Policy:**

The approved Policy shall be uploaded under a separate section on the website of the Company at [www.hariompipes.com](http://www.hariompipes.com)

## **10. Policy:**

- a. All related party transaction shall be entered on arms' length basis.
- b. In exceptional circumstances, subject to the provisions of Companies Act, 2013 and SEBI LODR Regulations, related party transactions may deviate from the principle of arm's length, after approval from Audit Committee, the Board of Directors and shareholders approval, as the case may be.
- c. All related party transactions shall be in compliance with the provisions of the Companies Act, 2013 read with Listing Regulations and applicable Accounting Standards, as amended from time to time.
- d. The company shall comply with disclosure requirement of the Companies Act, 2013 and Listing Regulations from time to time.
- e. All domestic related party contracts/ arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA and all other applicable provisions of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
- f. All international related party contracts/ arrangements shall comply with International Transfer Pricing Requirement under section 92B and other applicable provisions of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

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