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## RELATED PARTY TRANSACTION POLICY

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## **RELATED PARTY TRANSACTION POLICY**

### **1. PREAMBLE**

The Board of Directors (the “Board”) of Hindustan Motors Limited (the “Company” or “HML”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Board/Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company. No Related Party Transaction may be entered into by the Company or its Key Managerial Personnel except in accordance with the provisions of this Policy.

### **2. PURPOSE**

This policy is framed as per requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), 2015 (“Regulations”) as well as to enable compliance with the requirements of the Companies Act, 2013 (“Act”) and the Rules framed thereunder, as amended from time to time. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The policy is designed to govern the transparency of approval process and disclosure requirements to accord fairness in the treatment of related party transactions.

This Policy is intended to:

- a. Identify all transactions which fall within the ambit of Related Party Transactions both as per the Regulations and the Act including the Rules framed thereunder;
- b. Seek necessary approvals of the Audit Committee/Board/Shareholders as may be necessary, after providing necessary information.

### **3. APPLICABILITY AND EFFECTIVE DATE**

This Policy will be applicable to the Company with effect from 29<sup>th</sup> May, 2019 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

### **4. DEFINITIONS**

**“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Companies Act, 2013.

**“Board”** means Board of Directors of the Company

**“Control”** shall have the same meaning as designed in SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and includes 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’ agreement or voting agreements or in any other manner.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) The Chief Executive Officer or the Managing Director or Manager
- (ii) The Company Secretary;
- (iii) The Whole-time director;
- (iv) The Chief Financial Officer;
- (v) such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel by the Board; and
- (vi) Such other officer as may be prescribed

**“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 ten percent of the consolidated annual turnover of the company as per the last audited financial statements of the company

**“Policy”** means Related Party Transaction Policy as amended from time to time.

**“Related Party”** as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, means related party as defined in Section 2(76) of the Companies Act, 2013 or under the applicable Accounting Standards.

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

(\*Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.)

(\*Effective from April 1, 2019)

A related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- (i) a director or his relative ;
- (ii) a key managerial personnel or his/her relative ;
- (iii) a firm, in which a director, manager or his/her 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 per cent of its paid-up share capital ;
- (vi) anybody 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 under 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;

a) anybody corporate 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 ;
- (C) an investing company or the venture of the company.

**“Related Party Transaction”** under Regulations, means any transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. A transaction with a related party shall be considered to include single transaction or a group of transactions in a contract.

Without prejudice to the generality of the above, Related Party Transactions under the Act, shall include:

- i) Sale, purchase or supply of any goods or materials;
- ii) Selling or otherwise disposing of, or buying property of any kind;
- iii) Leasing of property of any kind;
- iv) Availing or rendering of any services;
- v) Appointment of any agent for purchase or sale of goods, materials, services or property;
- vi) Such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii) Underwriting the subscription of any securities or derivatives thereof, of the company.

Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- i) Any transaction which is in the ordinary course of business and on an arm’s length basis as determined in terms of this Policy.
- ii) Any other exception which is consistent with the applicable laws, including any rules or regulations made thereunder.

**“Relative”** means relative as defined under Section 2(77) of the Companies Act, 2013 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 ;
- iii. One person is related to the other in the following manner:-
  - (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)

**“Related Party Register”** means the database (physical and/or electronic) containing the names, addresses, and other relevant details of the Related Party(s), to be maintained by the Company Secretary.

**“Related Party Contract Register”** means a register (physical and/or electronic) in respect of all contracts or arrangements entered into between the Company and its Related Party(s), to be maintained by the Company Secretary in accordance with the Relevant Legislation.

## 5. **DETERMINING “ORDINARY COURSE OF BUSINESS”**

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course of business.

## 6. **ASCERTAINING “ARMS’ LENGTH” IN RELATED PARTY TRANSACTIONS**

The expression “arms’ 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.

A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening/selection criteria/underwriting standards and procedures as may be applicable in case of an unaffiliated party.

The Company shall produce evidence to the satisfaction of the Audit Committee for complying with the said procedure, as and when applicable as required.

## 7. **IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

Each director and Key Managerial Personnel shall notify to the Audit Committee through the Company Secretary, of any potential Related Party Transaction involving them or their Relatives, including any additional information about the transaction that the Company Secretary may reasonably request.

Whenever any potential contract or arrangement is proposed to be entered into by the Company with any related party; any employee in knowledge of the transaction shall give notice to the Audit Committee through the Company Secretary.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

The Company Secretary and Chief Financial Officer shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Thereafter, with the approval of the Chairman/Chief Executive Officer, it shall be placed before the Audit Committee for its approval in terms of the Act and the Regulations.

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

### a) **Mechanism for approval of Related Party Transaction**

- i) **Omnibus approval by Audit Committee** - All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the

company 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 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.
- ii) The Audit Committee shall be assisted by the Company Secretary as to whether the proposed Related Party Transaction may become a Material Transaction and if that be so, the Audit Committee may refer the same to the Board of Directors for being processed further, including where applicable, to seek approval by the shareholders in accordance with the stricter of the relevant regulatory requirements.
- iii) If the Board of Directors may further decide that certain material Related Party Transactions need to be approved by the shareholders in terms of, it shall refer the same to the General Body of the shareholders for its approval by passing an appropriate resolution.
- Related Party Transactions requiring the approval of the shareholders:
- a) Sale, purchase or supply of any goods or materials directly or through appointment of agent exceeding 10% of the annual turnover of the Company or Rs.100 crore, whichever is lower
  - b) Selling or disposing of, or buying, property of any kind directly or through appointment of agent exceeding 10% of the net worth of the Company or Rs.100 crore, whichever is lower
  - c) Leasing of property of any kind exceeding 10% of the net worth or exceeding 10% of the turnover of the Company or Rs.100 crore, whichever is lower
  - d) Availing or rendering of any service directly or through appointment of agent exceeding 10% of the turnover of the Company or Rs.50 crore, whichever is lower
  - e) Appointment to any office or place of profit in the Company, its Subsidiary company

- or Associate Company at a monthly remuneration exceeding Rs.2.5 lakh
- f) Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth.
- iv) Transactions which are on arm's length basis and are in ordinary course of business
    - a) Prior approval of Audit Committees
    - b) Prior approval of shareholders by way of ordinary resolution if such RPTs are "Material Related Party Transaction" as per Listing Regulations as defined above.
  - v) Transactions which are either not on arm's length basis and/or not in ordinary course of business
    - a) Prior approval of Audit Committee
    - b) Prior approval of Board of Directors.
    - c) Prior approval of shareholders by way of ordinary resolution if such RPTs are "Material Related Party Transaction" as defined above.
  - vi) Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:  
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.

b) **Review of Related Party Transactions**

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse him or her and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the RPT was undertaken in the Ordinary course of business of the Company.
- iv. Whether the Related Party Transaction would affect the independence of an independent director;
- v. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- vi. Whether the Company was notified about the Related Party Transaction before its

- commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company;
- vii. Whether the proposed transaction is repetitive in nature and an omnibus approval is requested for the same;
  - viii. Whether the proposed transaction is a material transaction based on the approximate value of the transaction.
  - ix. Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other<sup>2]</sup> Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
  - x. Required statutory and public disclosure, if any;

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

The agenda of the Board meeting at which the resolution is proposed to be considered shall disclose:

- a) The name of the related party and nature of relationship;
- b) The nature, duration of the contract and particulars of the contract or arrangement;
- c) The material terms of the contract or arrangement including the value, if any;
- d) Any advance paid or received for the contract or arrangement, if any;
- e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) 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
- g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 102 of the Companies Act, 2013 shall contain the following particulars namely:-

- a) Name of the related party;
- b) Name of the director or key managerial personnel who is related, if any;
- c) Nature of relationship;
- d) Nature, material terms, monetary value and particulars of the contract or arrangement;
- e) Any other information relevant or important for the members to take a decision on the proposed resolution.

**9. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 shall take any such action it deems appropriate.

In any case, where the Audit Committee/Board/Shareholders determine not to ratify a Related Party Transaction that has been commenced without prior approval, the Audit Committee/Board/Shareholders, as appropriate, may direct additional actions including but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee/Board has authority to modify or waive any procedural requirements of this Policy.

**10. DISCLOSURE**

(\*The Company shall submit within 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.)

*(\*Effective from the half year ending March 31, 2019)*

(\*Disclosure of transactions of the Company with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results.)

*(\*Effective from Annual Report for the year ending March 31, 2019)*

**11. AMENDMENT**

This Policy shall stand amended in terms of the Companies Act, 2013, the rules made thereunder including the Companies (Meetings of Board and its Powers) Rules, 2014, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time. In the event of any conflict between this Policy and the Applicable Law, the Applicable Law shall prevail. The Board or the Audit Committee, as authorised by the Board, may review and amend this Policy from time to time. Any amendment to this Policy will be in writing.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

Sd/-

A. Sankaranarayanan  
Director of the Company

29<sup>th</sup> May, 2019