

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND  
DEALING WITH RELATED PARTY TRANSACTIONS**

**1. Title**

- 1.1 This policy shall be called the ‘Policy on materiality of related party transactions and dealing with related party transactions’.

**2. Commencement**

- 2.1 The Policy shall come into force with effect from the date of listing of the equity shares of Heranba Industries Limited (the “**Company**”) on BSE Limited and National Stock Exchange of India Limited.

**3. Objective**

- 3.1 Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder (“**Companies Act**”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”) require the companies to have enhanced transparency and due process for approval of the related party transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions.
- 3.2 Accordingly, the board of directors (“**Board**”) of the Company has adopted the following policy with regard to related party transactions. The Audit Committee of the Company will review this policy on an annual basis and propose any modifications to the Board for approval.

**4. Definitions**

- i. “**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.
- ii. “**Audit Committee**” means the audit committee of the board of directors of the Company.
- iii. “**Board**” means the Board of directors of the Company.
- iv. “**Company**” or “**Heranba**” means Heranba Industries Limited.
- v. “**Key Managerial Personnel**” or “**KMPs**” means Key Managerial Personnel as defined under the Act and includes:
  - (i) Managing Director, or Chief Executive Officer or Manager;
  - (ii) the Whole Time Director;
  - (iii) Company Secretary; and

- (iv) Chief Financial Officer.
- vi. **“Material Related Party Transaction”** in relation to the Company means a related party transaction which individually or taken together with previous transactions with a related party during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- vii. **“Ordinary Course of Business”** with reference to a transaction with a related party means a transaction which is:
  - Carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
  - historical practice with a pattern of frequency;
  - common commercial practice; or
  - meets any other parameters/criteria as decided by the Board/Audit Committee, from time to time.
- (viii) **“Policy”** means this policy, as amended from time to time.
- (ix) **“Related Party”** in relation to the Company means a party related with the Company in any of the ways as laid down in section 2(76) of the Companies Act or under applicable accounting standards.
- (x) **“Related Party Transaction”** means a transfer of resources, services or obligations between a Company and a related party, 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, and includes transactions as defined as a “related party transaction” under the relevant provisions of the Companies Act or the SEBI Listing Regulations or any other related law, regulation, standard.

## **5. Interpretation**

- 5.1 Any words used in this Policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, the Securities and Exchange Board of India Act, 1992, as amended, or rules and regulations made thereunder including the SEBI Listing Regulations, the applicable accounting standards or any other relevant legislation/law applicable to the Company.
- 5.2 The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.
- 5.3 In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee shall be final. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an external expert as it deems fit.

## **6. Procedure**

### **6.1 Disclosure by Directors**

- 6.1.1 Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of relatives which are regarded as Related Party as per this Policy.
- 6.1.2 Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

### **6.2 Identification of Transaction with Related Parties**

- 6.2.1 Each Director and Key Managerial Personnel is responsible for providing notice to the Company or 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. Audit Committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this Policy.
- 6.2.2 Each Director and Key Managerial Personnel shall make an annual declaration to the Company and this declaration shall be placed before the Audit Committee and the Board of Directors at their first meeting held at the succeeding financial year.
- 6.2.3 Any change in the list of relatives shall be intimated by the Directors and KMPs by way of a fresh declaration to the Company.

## **7. Approval of Related Party Transactions**

### **7.1 Audit Committee**

- 7.1.1 Related party transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee or the Directors of the Board who has potential interest in any Related Party Transaction will in terms of Chapter XII Rule 15(2) shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- 7.1.2 All the transactions which are identified as Related Party Transactions should be preapproved by the Audit Committee before entering into such transaction.
- 7.1.3 The Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:
- i. Name of party and details explaining nature of relationship;
  - ii. Duration of the contract and particulars of the contract and arrangement;
  - iii. Nature of transaction and material terms thereof including the value, if any;

- iv. Manner of determining the pricing to ascertain whether the same is on arm's length;
- v. Business rationale for entering into such transaction; and
- vi. Any other information relevant or important for the Board to take a decision on the proposed transaction.

7.1.4 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 / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of an independent Director;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. 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; and
- vi. 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 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.

7.1.5 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 Related Party Transactions 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.

## **7.2 Board of Directors**

- 7.2.1 In case of Related Party Transaction which is not in the ordinary course of business or not at arm's length transaction, whether or not it is a material Related Party Transaction, prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.
- 7.2.2 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.
- 7.2.3 The policy shall be reviewed by the Board on an yearly basis.

## **7.3 Shareholder approval**

- 7.3.1 All material related party transactions shall require prior approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolutions whether the entity is a Related Party to the particular transaction or not.
- 7.3.2 If a related party transactions is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act, it shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
- 7.3.3 However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **7.4 Process for Dealing with Related Party Transactions**

- 7.4.1 A list of all the related parties in relation to the Company received from the Board shall be updated from time to time.
- 7.4.2 Basis the above mentioned list of related parties, every department shall, prior to entering in to any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.
- 7.4.3 The contract/arrangement shall not be entered in to without the necessary approval from

the Audit Committee/Board/shareholders, as the case may be. Compliance to

this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.

## **8. Reporting of Related Party Transactions**

- 8.1 Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- 8.2 The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
- 8.3 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 of the Company.

## **9. Amendments**

- 9.1 Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Act or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

## **10. Communication of this Policy**

- 10.1 This Policy shall be posted on the website of the Company.