

## **HERANBA INDUSTRIES LIMITED**

**CIN: L24231GJ1992PLC017315**

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

[Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with section 188 of the Companies Act, 2013]

Updated as on May 30, 2023

## 1. Preamble

The Board of directors of Heranba Industries Limited (“the Board”) has adopted the Policy on materiality of related party transactions and dealing with the related party transactions and this policy shall be called as the “RPT Policy”. The RPT Policy envisages the procedure governing the Related Party Transactions required to be followed by the company to ensure compliance with the Law and Regulations.

This RPT Policy will be applicable to the company. This policy is to regulate the transactions between the company and its related parties based on the applicable laws and regulations applicable to the company.

This RPT Policy came into effect from the date of listing of the equity shares of the Heranba Industries Limited (the “Company”) on BSE Limited and National Stock Exchange which was latest revised on May 30, 2023 by the approval of the board of directors of the company in their meeting held on May 30, 2023.

## 2. Objective

- A. 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 there to, Section 188 of the Companies Act, 2013 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.
- B. Accordingly, the board of directors (“**Board**”) of the Company has adopted the following policy with regard to related party transactions. The Audit Committee may review and propose any modifications to the board for approval and the Board shall review this RPT Policy at least once every three years.

## 3. Definitions

- i. “**Act**” means the Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force.
- ii. “**Applicable Law(s)**” includes (a) the Act and the rules made thereunder; (b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, any other statute, law, standards, regulations or other governmental instruction relating to RPTs and amendments made thereto.
- iii. “**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.
- iv. “**Audit Committee**” means the audit committee formed by the board of directors of the Company as per the provisions of Companies Act, 2013 and SEBI

(Listing Obligation and Disclosure Requirements) Regulation, 2015.

- v. **“Board”** means the Board of directors of the Company.
- vi. **“Company”** or **“Heranba”** means Heranba Industries Limited.
- vii. **“Key Managerial Personnel” or “KMPs”** means Key Managerial Personnel as defined under the Companies Act and SEBI Listing Regulations and includes:
  - a. Managing Director, or Chief Executive Officer or Manager;
  - b. The Whole Time Director;
  - c. Company Secretary; and
  - d. Chief Financial Officer;
  - e. 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
- viii. **“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 one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. In case of 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 the previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.
- ix. **Material Modification:**
- x. **“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) **“RPT Policy”** means this policy, as amended from time to time.
- (ix) **“Relative”** in relation to a Related Party shall have the same meaning as defined under Section 2(77) of the Act.

- (viii) **“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, 2013 or under the applicable accounting standards:

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the company; 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 the related party.”

- (ix) **“Related Party Transaction”** shall have the same meaning as specified under the Act and Rules made thereunder and Regulation 2(1)(zc) of the SEBI Listing Regulations, and as envisaged in Section 188(1) of the Act:
- a) the Company or any of its subsidiaries on the one hand and a related party of the Company or any of its subsidiaries on the other hand;
  - b) the Company 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 Company 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.

Following shall not be considered RPTs of the Company in terms of SEBI LODR:

- 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 by the Company;
    - ii. subdivision or consolidation of securities by the Company;
    - iii. issuance of securities by way of a rights issue or a bonus issue and
    - iv. Buy-back of securities.
- (x) **“SEBI LODR”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- (viii) **“Threshold Limits”** are financial limits for Transaction(s) with Related Party(s) in the ordinary course of business and on an arms-length basis and which are set out in **Annexure A** to this RPT Policy.

#### 4. Interpretation

Any words used in this RPT 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.

The reference to the masculine gender in the RPT Policy shall be deemed to include a referencetofemininegender.

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.

**5. Manner of Dealing with the Related Party Transactions and materiality thresholds:**

**A. Identification of Related Parties:**

The Company Secretary shall maintain a list of Related Parties as defined in Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014 and under the applicable accounting standards:

- Each Director and Key Management Personnel shall disclose in Form MBP-1, at the time of appointment and at the beginning of every financial year and whenever there is any change in the disclosure so made, about all the persons, entities in which he or she is interested, whether directly or indirectly.
- Each director and Key Management Personnel shall provide declaration, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made of:
  - its relatives;
  - firms in which such Director/ Manager or his relative is a partner;
  - private Companies in which a Director or Manager or his relative is a member or director;
  - public companies in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
- The Compliance Officer shall:
  - On the basis of the declaration of directors and KMPs, identify and keep on record in the form of an updated database the information pertaining to Related Parties, along with their personal/company details;
  - At the beginning of the financial year and on any subsequent changes, identify and maintain information in the database about the related parties in association with the Holding Company, subsidiaries, joint ventures, associates, etc.
  - Update the database of Related Parties whenever necessary and review periodically.

**B. Identification of Transaction with Related Parties**

As per RPT Policy, the company will identify the related party transactions as per the applicable laws, which requires the approval of the Audit Committee, Board of Directors and shareholders, as the case may be.

Each Director and Key Managerial Personnel will be 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 RPT Policy.

The compliance officer shall ensure that all Directors, Key Managerial Personnel shall make an annual declaration relating to all material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interest of the company at large.

The Compliance Officer would collate list of related party transactions as follows:

- Continuing RPTs as per the disclosure made in Company's financial statements;
- Transactions which are likely to be entered into with each related party and estimated value of such transactions before the beginning of each financial year to obtain necessary approvals in accordance with this RPT Policy.

**C. Approval of Related Party Transactions:**

**Audit Committee**

- i. Prior approval of the Audit Committee is required for:
  - a. All Related Party(s) transactions and any subsequent material modifications thereto in the ordinary course of business and at arm's length shall be subject to the prior approval of the Audit Committee and within the Threshold Limits. Further, any subsequent modification to any terms of conditions of the transactions with related parties shall require approval of the Audit Committee.
  - b. All related party transactions, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR shall require prior approval of the Audit Committee of the company.
  - c. A related party transaction to which the subsidiary of a company is a party but the Company is not a party, 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 Company.
  - d. With effect from April 1, 2023, a related party transaction to which the subsidiary of a company is a party but the company is not a party, 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.

- ii. Prior approval of the Audit Committee shall not be required for:
  - a. A related party transaction to which the listed subsidiary is a party but the company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR are applicable to such listed subsidiary. .
  - b. Related party transactions of unlisted subsidiaries of a listed subsidiary of the Company, the prior approval of the audit committee of the listed subsidiary shall suffice.
  - c. RPT or subsequent material modifications of RPT entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
  - d. RPT entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the General meeting for approval.
- iii. Only those members of the audit committee, who are independent directors, shall approve related party transactions.
- iv. The Company shall not enter into any Transaction with a Related Party beyond the Threshold Limits, without the prior approval of the Board. The Board may approve the Threshold Limits of any Transaction not defined or mentioned in this Policy. The Board shall review the Threshold Limits at least once in every three years and make changes as and when necessary.
- v. 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) of the Act 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.
- vi. The Company may obtain omnibus approval from the Audit Committee for RPTs where the Company is a party. Omnibus approval from the Audit Committee can also be granted in case the transactions are entered between subsidiaries and other related parties, where the Company is not a party to the transaction subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the following:
  - the audit committee shall lay down the criteria for granting the omnibus approval in line with this RPT policy on related party transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature;
  - the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company;
  - the omnibus approval shall specify:
    - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
    - the maximum value per transaction which can be allowed;
    - extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;

- transactions which cannot be subject to the omnibus approval by the Audit Committee.
- the indicative base price / current contracted price and the formula for variation in the price if any; and
- 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.

- 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 approvals 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.
- vii. While assessing a proposal put up before the Audit Committee for approval, the Audit Committee shall consider the following criteria in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
- ✓ Type, nature, material terms and particulars of the proposed transaction;
  - ✓ Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - ✓ Tenure of the proposed transaction (particular tenure shall be specified);
  - ✓ Value of the proposed transaction;
  - ✓ The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for an RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
  - ✓ If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
    - \* details of the source of funds in connection with the proposed transaction;
    - \* where any financial indebtedness is incurred to make or give loans, inter corporate deposits, advances or investments,
      - nature of indebtedness;
      - cost of funds; and
      - tenure;
    - \* applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    - \* the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
  - ✓ Justification as to why the RPT is in the interest of the Company;

- ✓ 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.
  - ✓ A copy of the valuation or other external party report, if any such report has been relied upon;
  - ✓ Any other relevant information or such information as may be prescribed under SEBI LODR.
- i. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- ii. In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

## **2. Board of Directors**

- i. As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/ or at arm's length.
- ii. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
- Transactions which may be in the ordinary course of business and at arm's length basis, but which, as per the RPT Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
  - Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
  - Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
  - Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.
- iii. 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.
- iv. 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.
- v. This RPT policy shall be reviewed by the Board at least once every three years and shall be updated accordingly.

### 3. Shareholder approval

- i. All material related party transactions and subsequent material modifications as defined by the Audit Committee in this RPT Policy shall require prior approval of the shareholder 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.
- 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 company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR are applicable to such listed subsidiary.
- In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for approval. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
- ii. 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.
- iii. Further, the requirement for seeking shareholders' approval shall not be applicable for RPTs between the two wholly owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iv. Further, the requirements for seeking shareholders' approval 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.
- v. For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the shareholders of the listed subsidiary shall suffice.
- vi. The following information shall be provided to the shareholders while seeking their approval for RPTs:
- name of the related party;
  - name of the director or key managerial personnel who is related, if any;
  - nature of relationship;
  - nature, material terms, monetary value and particulars of the contract or arrangements;
  - A summary of the information provided by the management of the Company to the audit committee.
  - Reasons/justification for why the proposed transaction is in the interest of the Company;
  - Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under:

- details of the source of funds in connection with the proposed transaction;
- where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments;
- nature of indebtedness;
- cost of funds; and
- tenure;
- applicable terms, including covenants, tenure, interest rate and repayments schedule, whether secured or unsecured; if secured, the nature of security; and
- the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- Any other relevant information or such information as may be prescribed under SEBI LODR.

#### **4. Process for Dealing with Related Party Transactions**

- i. A list of all the related parties in relation to the Company received from the Board shall be updated from time to time.

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 RPT Policy.

- ii. The contract/arrangement shall not be entered into 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.

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

- i. Every contract or arrangement, which is required to be approved by the Board/shareholders under this RPT Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- ii. The company 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 further that the company shall make disclosures of related party transactions every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

#### **6. Related Party Transactions not approved under this RPT Policy:**

- i. If any contract or arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at

the option of the Board / shareholders, as the case may be, 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.

- ii. Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

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

All the transactions with Related Parties shall be referred to the Audit Committee for review at its scheduled quarterly meetings or as may be called upon by the Audit Committee from time to time along with all relevant information of such Transaction(s).

The Audit Committee may refer any of the Related Party Transactions brought before it or it being mandatory under any law, for approval of the Board. The Board may on its own accord also decide to review any Related Party Transaction.

The Audit Committee may seek advice of external consultants and experts on determining whether a particular transaction which is being considered by the Audit Committee would be regarded on an arms' length basis or otherwise.

## **8. Amendments**

Any change in this RPT 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 RPT Policy or the entire RPT 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 RPT Policy.

## **9. Communication of this Policy**

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

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## ANNEXURE-A

### THRESHOLD LIMITS FOR RELATED PARTY TRANSACTIONS IN THE ORDINARY COURSE OF BUSINESS AND ON ARMS-LENGTH BASIS

Before the start of each financial year, the Company shall determine the financial limits for Transaction(s) in the ordinary course and on an arms-length basis, with each Related Party for a financial year. The said financial limits shall be within the overall Thresholds Limits mentioned below:

| SR. NO. | NATURE OF TRANSACTIONS                                                                                                    | THRESHOLD LIMITS                                                                                        |
|---------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 1.      | Sale, purchase or supply of any goods or materials, directly or through appointment of agent.                             | Upto 10% of the turnover of the company as per the last audited financial statements                    |
| 2.      | Selling or otherwise disposing of or buying property/ fixed assets of any kind, directly or through appointment of agent. | Upto 10% of the net worth of the company as per the last audited financial statements                   |
| 3.      | Leasing of property of any kind                                                                                           | Upto 10% of the turnover of the company as per the last audited financial statements                    |
| 4.      | Availing or rendering of any services, directly or through appointment of agent.                                          | Upto 10% of the turnover of the company as per the last audited financial statements                    |
| 5.      | Payment made with respect to brand usage or royalty.                                                                      | Upto 5% of the annual consolidated turnover of the company as per the last audited financial statements |
| 6.      | Related Party's appointment to any office or place of profit in the company, its subsidiary or associate company.         | Not exceeding monthly remuneration of Rs. 2,50,000/- (Rupees Two lakhs Fifty Thousands Only)            |
| 7.      | Underwriting the subscription of any securities or derivatives thereof, of the company                                    | Not exceeding 1% of the net worth of the company as per the last audited financial statements           |

*\*The threshold limit specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*