

## **POLICY ON RELATED PARTY TRANSACTIONS**

*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 conflict of interest which may be against the 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"), Haryana Leather Chemicals Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all 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. The Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

### **2. ABOUT THE COMPANY**

The Company was established in 1985 and is dealing with leather chemicals. The Company has manufacturing plant at Jind Haryana and its corporate office is at Gurgaon Haryana.

### **3. OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out the materiality thresholds for related party transactions and the manner of dealing with the transactions between the Company and its related parties based on the Act.



#### 4. DEFINITIONS

4.1 **"Act"** means the Companies Act, 2013

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

4.3 **"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.

4.4 **"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.

4.5 **"Company"** means Haryana Leather Chemicals Limited

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

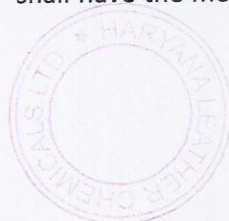
4.7 **"Related Party"** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015

4.8 **"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

4.9 **"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 Company "

4.10 **"Key Managerial Personnel"** or **"KMP"** shall have the meaning as defined in the Companies Act 2013





## 5. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

## 6. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

### 6.1 Identification of Related Parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

### 6.2 Identification of Related Party Transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis.

## 7.0 POLICY ON RELATED PARTY TRANSACTIONS:

The broad Policy covering various aspects of review, approval mechanism and implementation is described below:

### I) APPROVING AUTHORITY:

#### A. BY THE AUDIT COMMITTEE:

All Related Party Transactions as per Listing Agreement shall require the prior approval of the Audit Committee at a Meeting of the Audit Committee or by Circulation.

#### B. BY THE BOARD OF DIRECTORS:

All Material Related Party Transactions under the Listing Agreement which are subject to approval of the shareholders shall require the approval of the Board of Directors at a Meeting of the Board or by Circulation and

All "Related Party Transactions which are not in Ordinary Course of Business or not at an Arm's Length" shall require the prior approval of the Board of Directors at a Meeting of the Board and cannot be passed by Circulation.

#### C. BY THE SHAREHOLDERS:

All Material Related Party Transactions under the Listing Agreement shall require approval of the Shareholders' by means of a Special Resolution passed at a General Meeting or through Postal Ballot.





## II) APPROVAL PROCESS FOR TRANSACTIONS WITH RELATED PARTIES.

### 1. Omnibus Approval by the Audit Committee:

a. Transactions including modifications to the existing Transactions with Related Parties which are not material but repetitive in nature can be covered in the Omnibus Approval by the Audit Committee which requires the following information:

- Name of the related party
- Nature of the transaction
- Period of transaction
- Maximum amount of transaction that can be entered into
- Indicative base price / current contracted price and the formula for variation in the price if any and taxes
- Payment security and payment terms
- Warranties and guarantees
- Justification for the arm's length nature of transaction and
- Compliance under the Act, Listing Agreement and other legal aspects

Such Omnibus Approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

b. Where the need for Related Party Transactions 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.

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. Specific Approval by the Audit Committee:

All the transactions that are identified as Related Party Transactions under the scope of this Policy and not covered under Omnibus Approval mechanism, shall be placed before the Audit committee for approval with the relevant material information of the Related Party Transaction, covering:

- Name of the related party
- Nature of the transaction
- Period of transaction
- Maximum amount of transaction that can be entered into
- Indicative base price / current contracted price and the formula for variation in the price if any and taxes
- Payment security and payment terms
- Warranties and guarantees
- Justification for the arm's length nature of transaction and
- Compliance under the Act, Listing Agreement and other legal aspects





### 3. Approval by the Board and Shareholders:

In case of "Related Party Transactions which are not in Ordinary Course of Business or not at an Arm's Length" and exceeds the prescribed criteria under Section 188 of the Companies Act, 2013 and in case of Material Related Party Transactions, the following information shall be given in the explanatory statement forwarded to Shareholders after the approval of the Board:

- 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 arrangement
- Any other information relevant or important for the members to take a decision on the proposed resolution

### III) REVIEW OF RELATED PARTY TRANSACTIONS

- a) The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party and Related Party Transactions entered into by the Company pursuant to each of the Approval given, with the following details:
- Name of the related party
  - Nature of the transaction
  - Period of transaction
  - Maximum amount of transaction that can be entered into
  - Indicative base price / current contracted price and the formula for variation in the price if any and taxes
  - Payment security and payment terms
  - Warranties and guarantees
  - Justification for the arm's length nature of transaction and
  - Compliance under the Act, Listing Agreement and other legal aspects

### 8.0 AMENDMENT TO THE POLICY

The Audit Committee shall review on an annual or periodic basis this Policy and advise changes if any required from time to time in line with the latest law and considering the nature of related party transactions to be entered into by the Company. Any change to this Policy requires approval of the Board of Directors.

### 9.0 DISCLOSURE

The particulars of contracts or arrangement with related parties referred in section 188(1) of the Companies Act 2013 should be disclosed in the Financial Statements and Directors Report and in the Corporate Governance Compliance Report in the prescribed format.



## 10.0 APPLICABILITY OF LAW

The provisions of the Companies Act, 2013 and rules made thereunder and the Listing Agreement (including any amendment thereto from time to time), Accounting Standards, Income Tax Act, 1961 to the extent applicable, shall also apply in addition to this Policy from time to time.

**For Haryana Leather Chemicals Limited**

