



# **H.G. INFRA ENGINEERING LIMITED**

## **Policy on Related Party Transactions**

## **1. INTRODUCTION**

The Board of Directors (the “Board”) of H. G. Infra Engineering Limited (the “Company”), has adopted this policy on materiality of related party transactions and on dealing with related party transactions (the “Policy”) to set forth the procedures under which transactions with Related Parties and materiality thereof shall be ascertained and considered subsequently for approval.

### **1.1. PURPOSE OF THE POLICY**

This policy is framed based on requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and the provisions of the Companies Act, 2013 (“Act”) read with the rules framed there under and is intended to ensure the governance and reporting of transaction(s) between the Company and its Related Parties. This policy applies to transactions between the Company and one or more of its Related Party(ies) as defined herein below.

As per the Sixth Amendment to the Listing Regulations dated 9th November, 2021 and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated 22nd November, 2021, there is a requirement to amend the Related Party Policy and this amended policy will effective from April 01, 2022.

### **1.2. DEFINITIONS**

All words and expressions used herein, unless defined herein, shall have the same meaning as assigned to them in the Applicable Law under reference.

- 1.2.1. **“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.
- 1.2.2. **“Audit Committee”** means the Committee of the Board formed under section 177 of the Act and Regulations 18 of Listing Regulations.
- 1.2.3. **“Board”** means the Board of Directors of the Company.
- 1.2.4. **“Company”** means H.G. Infra Engineering Limited.
- 1.2.5. **“Key Managerial Personnel”** or **“KMP”** means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.
- 1.2.6. **“Material Related Party Transactions”** would mean the following:
  - a) A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
  - b) 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 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 listed entity.
- 1.2.7. **“Material Modification”** shall mean and include any modification to existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee/Board/Shareholders, as the case may be.”

1.2.8. **“Ordinary Course of Business”** means transactions with related parties in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company’s operations or related financial activities, pursuant to the objects of the Company.

1.2.9. **“Related Party”** means, a person or an entity:

- (i) which is a related party under Section 2(76) of the Companies Act, 2013, as amended from time to time; or
- (ii) which is a related party under the applicable accounting standards.
- (iii) which is a related party under Regulation 2(1) (zb) of the Listing Regulations.

Provided that any person or entity forming a part of the promoter or promoter group of the Company; or any person or entity, holding equity shares of 20% or more in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year shall be deemed to be a related party (*effective from 1<sup>st</sup> April 2022*). *The threshold is set to be lowered to 10% w.e.f. 1 April 2023.*

**“Related Party Transaction”** or RPTs means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, specifically including transactions under Section 177 and Section 188 of the Act including rules thereof, as defined in applicable accounting standards and as defined in Regulation 2(1)(zc) of the Listing Regulations.

*Regulation 2(1)(zc) of the Listing Regulations:*

*With effect from April 1, 2022, “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand;*

*With effect from April 1, 2023, “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between a listed entity 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 listed entity or any of its subsidiaries.*

*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.*

1.2.10. **“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under **“SEBI”** means Securities and Exchange Board of India.

1.2.11. **“Subsidiary Company”** means as defined under Companies Act, 2013 read with related rules issued thereon.

## **2. IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

The Company has made a list of related parties after considering the requirements and based on the declaration(s) received from individuals like directors and KMP. The directors and KMP’s are also required to inform the Company of any changes to such declaration during the year.

Each Related Party shall promptly notify of any interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential RPT involving them or their Relative together with additional information about the RPT that the Board or Audit Committee reasonably request.

The Company prefers that notice of any RPT is given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed RPT.

### **3. REVIEW AND APPROVAL OF RPTs**

#### **3.1 Audit Committee**

- Every Related Party Transaction and subsequent modifications thereof shall be subject to the prior approval of the Audit Committee unless the transaction /modification enjoys any exemption as provided under the Act or Rules made thereunder or under the Listing Regulations. Further, only those members of the Audit Committee who are independent directors shall approve related party transactions.
- Every related party transaction to be entered into by the subsidiary of the Company to which the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds:
  - (a) With effect from April 1, 2022, 10% of the annual consolidated turnover, as per the last audited financial statements of the Company; or
  - (b) With effect from April 1, 2023, 10% of standalone turnover, as per the last audited financial statements of the subsidiary.

However, prior approval of the audit committee of the Company shall not be required for a related party transaction to which listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing regulations are applicable to such listed subsidiary;

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- Audit Committee may grant omnibus approval for Related Party Transaction(s) proposed to be entered into by the company, subject to the conditions as stated under Regulation 23(3) of the Listing Regulations including the following:
    - (i) The Related Party Transaction proposed to be entered into with the Company must be repetitive in nature and/or in ordinary course of business and at Arm's Length basis;
    - (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 transaction(s) 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 financial year and shall require fresh approvals after the expiry of one financial year.

Transaction(s), other than transactions referred to under Section 188 of the Companies Act, 2013 entered into between holding company and its wholly owned subsidiary or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Holding Company and placed before the shareholders at General Meetings for approval shall not require approval of the Audit Committee.

### **3.2. Board**

If the Audit Committee determines that a Related Party Transaction and subsequent modifications thereof should be brought before the Board, or where Committee does not approve the transaction or subsequent modifications thereof shall make its recommendation to the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction and subsequent modifications thereof, in the event any contract or arrangement with a related party is not in the ordinary course of business or not at arm's length, then the Board shall consider and approve the Related Party Transaction and subsequent modifications thereof.

### **3.3. Shareholders**

All Material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders through ordinary resolution as stipulated under the provisions of the Act and rules made thereunder and the Listing Regulations (unless exempted under the provisions of the Listing Regulations as amended from time to time) and no related party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a Company 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 the Listing Regulations are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Further, all related party transactions (other than material related party transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company and the concerned Related Party shall abstain from voting on such resolution(s).

Any Related Party Transaction or Material Related Party Transaction if entered into with a Wholly Owned Subsidiary, whose accounts are consolidated with the Company and placed before the shareholders of the Company at General Meetings for approval, shall not require approval of the Shareholders.

Any related party transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval, shall not require approval of the shareholders.

### **3.4. Materiality Thresholds:**

The RPTs which crosses the Materiality thresholds as mentioned below shall be entered by the Company only with prior approval of shareholders of the Company through resolution, as per applicable provisions of the Act and the Listing Regulations, as may be amended from time to time.

1. The Company has fixed its materiality threshold of Rs.1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Regulation 23 (4) of SEBI (LODR) Regulations, 2015, whichever is lower.
2. Any other Related Party Transaction shall be placed before the Shareholders for approval, as per the threshold limits mentioned and in terms of the provisions of Section 188 of the Companies Act, 2013 read with relevant Rules.

### **4. DISCLOSURES**

Details of all material transactions with Related Parties shall be disclosed as part of the Report on Corporate Governance, included in the Annual Report of the Company.

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by SEBI from time to time, and publish the same on its website.

The Company shall disclose this on its website at <https://www.hginfra.com> and web-link shall be provided in the Annual Report.

### **5. AMENDMENTS TO THE POLICY**

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable law or at least once in every three years and updated accordingly.

Effective Date: April 01, 2022

Date of the approval by the Board: March 31, 2022

Version: 03

Sd/-

**Chairman's Signature**