



HMA
AGRO INDUSTRIES LTD.

HMA Agro
Industries Limited

Policy on Related Party Transactions

1. Introduction

The Board has adopted the following policy and procedures with regard to RPTs.

The purpose of this Policy is to govern transactions between the Company and its Related Parties based on the laws and regulations that are applicable to the Company. The CA 2013 read with the Rules and Regulation 23 of the LODR 2015 have specific provisions relating to RPTs, specifying the financial limits, process of approving RPTs, determining material modifications thereto, determination of material RPTs, disclosure and reporting of RPTs etc.

The Audit Committee will review and amend this Policy from time to time. The Board will review this Policy at least once in three (3) years.

This Policy is effective from.....

2. Objective

This Policy is framed as per the requirements of Regulation 23 of the LODR 2015 to ensure inter-alia, proper identification, approvals and reporting of RPTs. The Company is required to disclose each year in the Financial Statements, certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. Applicability

This Policy shall apply to all transactions between the Company and / or its Holding Company/ subsidiaries/associates with its Related Parties.

4. Definitions

4.1 "**Accounting Standards**" shall mean the Accounting Standards issued by Institute of Chartered Accountants of India from time to time.

4.2 "**Arm's Length Transaction (ALP)**" shall mean a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.

For determining the Arm's length nature of a transaction, apart from price/ cost, other terms and conditions such as tenure, credit period, payment terms, etc. are also to be considered.

4.3 "**Audit Committee / Committee**" means the Audit Committee constituted by the Board of the Company from time to time as per the provisions of Section 177 of the CA 2013 and Regulation 18 of the LODR 2015.

4.4 "**Board**" means Board of Directors of the Company, as constituted from time to time.

4.5 "**CA 2013**" means the Companies Act, 2013 and rules made thereunder, as amended from time to time.

4.6 "**Company**" means HMA Agro Industries Limited.

4.7 "Control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

4.8 "LODR 2015" means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

4.9 "Key Managerial Personnel (KMP)" means key managerial personnel as defined under the Companies Act, 2013 and includes:

- i. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

4.10 "Material RPT" means a transaction with a Related Party where the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds INR 1,000 Crores or ten (10) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the company, whichever is lower.

Notwithstanding the above, 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 (5) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

4.11 "Material Modification" means any subsequent change to an existing RPT involving:

- i. A variance of 20% in the existing value of the transaction or INR 10 crores whichever is lower; or
- ii. A significant change in the tenure of the contract/ transaction; or
- iii. Modification resulting in the RPT no longer meeting the arm's length principle or Ordinary Course of Business test; or
- iv. Novation of parties, addition of parties, etc.; or
- v. Any other change in the terms and conditions of the contract/ transaction considered as material by the Audit Committee.

4.12 "Ordinary Course of Business (OCB)" shall mean a situation where a transaction:

- i. is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (MoA) of the Company as amended from time to time; or
- ii. represents a business activity where the income, if any, earned from such activity is treated as business income in the Company's books of accounts, or common commercial practice or industry practice, even though the Company may have not done so in the past; or
- iii. is frequent or repetitive or carried out historically by the Company; or
- iv. meets any other parameters / criteria as decided by the Board/Audit Committee.

Individually, none of the above parameters can by themselves, trigger a conclusion on a transaction being in the ordinary course of business. A conclusion must be reached after considering multiple parameters.

4.13 "Policy" shall mean this Related Party Transactions Policy

4.14 "Related Party" shall have the same meaning as defined under Regulation 2(1)(zb) of the LODR 2015.

- 4.15 "Related Party Transaction or RPT"** shall mean a transaction with a Related Party as envisaged in Regulation 2(1)(zc) of the LODR 2015, as amended from time to time.
- 4.16 "Relative"** in relation to a Related Party shall have the same meaning assigned in Section 2(77) of the CA 2013.
- 4.17 "Rules"** shall mean the Companies (Meetings of Board and its Powers) Rules, 2014.
- 4.18 "SEBI"** means the Securities and Exchange Board of India.
- 4.19 "Transaction"** shall mean a single transaction or a group of transactions.

Capitalised terms used in this Policy and not defined above shall have the same meaning as assigned to them under the CA 2013 or LODR 2015 or any other applicable law or guidelines.

5. Policy Requirements

5.1 Identification of Related Parties

The Company has separately formulated guidelines for identifying and updating the list of Related Parties as prescribed under Section 2(76) of the CA 2013 read with the Rules framed thereunder and Regulation 2(1)(zb) of the LODR 2015.

The Company Secretary shall be responsible for maintaining an updated list of Related Parties and this shall be reviewed by the Audit Committee annually.

5.2 Identification of Potential Related Party Transactions

The Company shall, prior to entering into a transaction verify whether the party(ies) involved include(s) any Related Party forming part of the list maintained by it. The Company has separately formulated guidelines for identification of RPTs in accordance with Section 177, Section 188 of the CA 2013 and Regulation 2(1)(zc) of the LODR 2015. The Company has also formulated guidelines for determining whether its transactions are undertaken in the Ordinary Course of Business and on Arm's Length Basis.

Each Director, KMP is responsible for providing notice to the Board or Audit Committee, of any potential RPT involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

Board/Audit Committee will determine whether the transaction does, in fact, constitute an RPT requiring compliance with this Policy. Such notice should be submitted to the Audit Committee in advance i.e., at least 7(seven) days before entering into the transaction, so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.3 Provisions related to RPTs

All RPTs and subsequent Material Modifications thereto shall require prior approval of the Audit Committee. Further, all Material RPTs and subsequent Material Modifications thereto shall require approval of the shareholders through a formal resolution (unless exempted under applicable law) and the Related Parties shall abstain from voting on such resolutions whether the entity is a Related Party to the particular transaction or not.

The steps to be followed by the Company before entering into an RPT will include the following:

- i. confirm that the transaction represents an RPT;
- ii. determine whether the transaction is in the Ordinary Course of Business or otherwise;
- iii. review the commercial terms involved in the transaction and analyse whether the transaction is being undertaken on 'Arm's length' basis, as if the parties are unrelated;
- iv. consider the value of the transaction to determine if it is a Material RPT or Material Modification;
- v. determine the approval requirements applicable to the transaction in accordance with this Policy;
- vi. prepare and maintain relevant documentation supporting the basis of its assessment;
- vii. present the required details to the Audit Committee, Board or Shareholders for approvals as required; and execute the transaction once the approvals are obtained.

The Audit Committee's decision on these aspects shall be final. Audit Committee could seek external advice to assist in decision making on these aspects or for that matter in dealing with any issues connected with RPTs.

5.4 Review and Approval of Related Party Transactions

Review of Related Party Transactions

To enable review of an RPT, the Audit Committee will be provided all relevant material information of the RPT, 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 an RPT, the Committee will consider the following factors, among others, to the extent relevant to the RPT:

- i. the name of the Related Party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement including the value. if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. 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;
- vii. the persons/authority approving the transaction; and
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve an RPT, the Committee will consider the following factors, among others, to the extent relevant to the RPT:

- i. Whether the terms of the RPT 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 undue compelling business reasons for the Company to enter
- iii. into the RPT and the nature of alternative transactions, if any;
- iv. Whether the RPT would affect the independence of the Directors/KMPs;
- 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. Where the ratification of the RPT is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and

- vii. Whether the RPT would present an improper conflict of interest for any Director or KMP 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, KMP'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.

If the Audit Committee determines that an RPT 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 the Board to approve the RPT, 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.

Approval of Related Party Transactions

a. Approval of the Audit Committee

- i. Every RPT and subsequent Material Modification is subject to the prior approval of the Audit Committee, in a manner as prescribed in the CA 2013, Rules made thereunder read with the Secretarial Standards issued by ICSI and the LODR 2015. Only the members of the Audit Committee who are Independent Directors shall approve the RPTs.
- ii. The Audit Committee shall also pre-approve RPTs where the Company's holding/ subsidiary (if any) is a party, but the Company is not a party, if the value of the transaction, whether entered into individually or taken together with previous transactions during a financial year, exceeds the following thresholds (unless exempted under the LODR 2015):
 - (i) 10% of the consolidated turnover of the Company w.e.f. April 1, 2022
 - (ii) 10% of the standalone turnover of the subsidiary w.e.f. April 1, 2023
- iii. Further, the Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- iv. The Audit Committee may grant omnibus approval for RPTs which are recurring in nature, subject to the conditions prescribed under the CA 2013, Rules and LODR 2015 as amended from time to time. Such approvals shall be valid for a period not exceeding one financial year and shall require a fresh approval after expiry of such financial year.
- v. The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;
- vi. The omnibus approval shall specify:
 - (i) the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transactions that shall 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.
- vii. Where the need for RPT cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding INR 1 crore per transaction.

- viii. The maximum value of the transactions, in aggregate, which shall be allowed under omnibus route in a year will be 25 % of the annual turnover of the Company.
- ix. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company and material modifications thereto, pursuant to each of the omnibus approvals given.
- x. In case of RPTs other than those transactions referred to in Section 188 of the CA 2013, where the Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

b. Approval of the Board of Directors of the Company

The Board shall approve all RPTs as are required to be approved under the CA 2013 and Rules and LODR 2015, after considering the information and documents placed before it. Based on the above, the following transactions require Board approval:

- i. RPTs specified under Section 188 of the CA 2013 which are either not in the Ordinary Course of Business or not at Arm's Length basis.
- ii. All Material RPTs and subsequent Material Modifications thereto, before recommending them to the shareholders.

In addition to the above, the following kinds of RPTs shall also be placed before the Board for its approval:

- i. RPTs in respect of which, the Audit Committee is unable to determine whether or not they are undertaken in the Ordinary Course of Business and/or on Arm's Length basis and decides to refer the same to the Board for approval.
- ii. RPTs which are undertaken in the Ordinary Course of Business and on Arm's Length Basis, but which in Audit Committee's view require Board approval.
- iii. RPTs that exceed the materiality thresholds defined in this Policy.

c. Approval of the Shareholders of the Company

All Material RPTs and subsequent Material Modifications shall require prior shareholder approval through resolution (unless exempted under applicable law) and no Related Parties shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

In addition to the above, all RPTs specified under Section 188 of the CA 2013 which:

- i. are not in the Ordinary Course of Business or not at arm's length basis; and
- ii. exceed the thresholds laid down in the Rules shall be placed before the shareholders for their approval.

d. Other requirements with respect to RPT approvals

The Company shall provide all the necessary information and documents as provided under the applicable law and as prescribed by SEBI from time to time, for review of the Audit Committee, Board and shareholders, in order to enable them to take an informed decision about the approval of a proposed RPT or material modification thereto, as applicable.

While considering any RPT, the Audit Committee, Board, shareholders as applicable, shall take into account

all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, any potential risks to the Company and any other relevant matters.

Any member of the Audit Committee or Board or a shareholder who has a potential interest in any RPT shall recuse himself/ herself and abstain from discussion and voting on the approval of the RPT in the respective meetings.

6. RPTs Not Approved under this Policy

In the event the Company becomes aware of an RPT 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 the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT.

In any case, where the Audit Committee decides not to ratify an RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of an RPT, the Committee has authority to modify or waive any procedural requirements of this Policy.

7. Disclosure and Reporting

This Policy will be communicated to all operational employees and other concerned persons within the Company and shall also be placed on the website of the Company.

The Company shall disclose, in the Board's Report, the requisite RPTs as envisaged in Section 188 of the CA 2013, in Form AOC-2 and in the Notes forming part of the Accounts, as required under the relevant Accounting Standards.

The Company shall submit along with its financial results, disclosures of RPTs, in the format specified by SEBI, to the stock exchanges and publish the same on its website.

Effective 01 April 2023, the Company shall submit simultaneously on the date of publication of its financial results, disclosures of RPTs, in the format specified by SEBI, to the stock exchanges and publish the same on its website.

The Company shall also submit the details of all transactions with Related Parties on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and the same shall be published on the Company's website.

8. Website Disclosures

This Policy will be uploaded on the website of the Company.

9. Review and Amendment

The Board may at any time, amend this Policy either pursuant to any change in law or otherwise. 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 in this Policy.

10. Detailed Version Control Sheet

This section is the control sheet of all the changes that have been carried out in the Policy and shall list the changes done since inception.

Change in version no.	Page no.	Section no.	Erstwhile section	New/Modified section	Reason for change