



HINDOOSTAN MILLS LIMITED

RELATED PARTY TRANSACTIONS POLICY

A THACKERSEY GROUP COMPANY

HINDOOSTAN MILLS LIMITED – Related Party Transaction Policy

1. Preamble

The Board of Directors (the “Board”) of Hindoostan Mills Limited (the “Company” or “HML”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. Objective

This policy is framed as per requirement of the Companies Act, 2013 and rules made thereunder contain provisions related to Corporate Governance and relate party transactions. In addition to these provisions, under Clause 49 of the Listing Agreement entered by the Company with the Stock Exchange and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

3. Definitions

3.1 “Audit Committee or Committee” means Committee of Board of Directors of the Company constituted in accordance with the provisions of Companies Act, 2013 and Listing agreement.

3:2 “Board” means Board of Directors of the Company.

3:3 “Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

3:4 “Key Managerial Personnel” in relation to the Company means:-

- (i) Managing Director
- (ii) Group Chief Operating Officer & Whole-time Director
- (iii) President & CEO
- (iv) Company Secretary
- (v) Chief Financial Officer; and
- (vi) such other officer as may be prescribed.

3.5 “Related Party”

Under Section 2(76) of the Companies Act, 2013 defines “Related Party” as:-

“Related Party” with reference to a company, mean-

- (i) a director or his relative;

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- (ii) a key managerial personnel or his relative ;
- (iii) a firm, in which a director, manager or his relative is a partner ;
- (iv) a private company in which a director or manager is a member or director ;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act :

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity ;

- (viii) any company which is –
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed, which has been prescribed under the Companies (Specification of Definitions Details) Rules as under:

A Director other an Independent Director or key managerial personnel of the holding company or his relative with reference to a company.

3.6 “Relative”

As defined under the Companies Act, 2013, with reference to any person, means any one who is related to another, if-

- i. They are members of a Hindu Undivided Family ;
- ii. They are husband and wife ; or
- iii. one person is related to the other in the following manner
 - Father (including step-father)
 - Mother (including step-mother)
 - Son (including step-son)
 - Son’s wife
 - Daughter
 - Daughter’s husband
 - Brother (including step-brother)
 - Sister (including step-sister)

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3.7 “Related Party Transactions” and “Related party”

Clause 49 (VII) of the Listing Agreement defines:

- A. A ‘**related party transaction**’ is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged or not;
- B. A ‘**related party**’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:
1. A person or a close member of that person’s family is related to a company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013
 - b. has control or joint control or significant influence over the Company; or
 - c. is a key management personnel of the Company or of a parent of the Company; or
 2. An entity is related to a company if any of the following conditions applies:
 - a. the entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
 - c. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other party is a member); or
 - d. both entities are joint ventures of the same third party; or
 - e. one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f. the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
 - g. the entity is controlled or jointly controlled by a person identified in (1) above.
 - h. a person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or

- 3.8 “**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”.

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3.9 “**Material Related Party Transaction**” under the Listing Agreement 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 five percent of the annual turnover or twenty percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher.

3.10 “**Policy**” means Related Party Transaction Policy as amended from time to time.

4. Identification of Potential Related Party Transactions

- a) Each director, Key Managerial Personnel, Holding Company, subsidiary Company, associate Company whenever wishes to enter into a related party transactions with the Company shall give a notice to the Company along with all relevant details and documents.
- b) Notice of any Related Party Transaction shall be given well in advance so that the Audit Committee/Board has adequate time to obtain additional information or documents about the proposed transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.

Audit Committee/Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

5. Approval Required for Related Party Transactions

Approval of Audit Committee

1. The Company shall not enter into any Related Party Transactions with the Related Party without prior approval of the Audit Committee, except the value of per transaction not exceeding Rs.1 crore.
2. The Notices received by the Company from the Directors, Key Managerial Personnel shall be forwarded to the Company Secretary with a direction to convene the meeting of the Audit Committee.
3. The Company Secretary shall convene the meeting of Audit Committee as directed and shall place all relevant information / documents relating to the proposed related party transactions before the Audit Committee, which inter alia shall include:
 - I. The name of the related party and nature of relationship;
 - II. The nature and duration of the Contract and particulars of the contract or arrangement;
 - III. The material terms of the Contract or an agreements including the value, if any;
 - IV. Any advance paid or received for a contract or arrangement, if any;

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- V. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as a party of the contract;
 - VI. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with rationale for not considering those factors; and
 - VII. Any other information relevant or important for the Audit Committee and / or Board to take decision on proposed transaction.
4. If any member of the Audit Committee is interested in any related party transactions with a related party, such member shall not be present at the Audit Committee Meeting neither during the discussions on subject matter not at the time of voting on the resolution relating to such related party transaction.

Approval of the Board

1. The following related party transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:
 - (i) Transactions not in arm’s length
 - (ii) Transactions not in ordinary course of business
 - (iii) Material related party transactions
2. The Board shall consider the information / documents placed before it and either approve or reject the proposed related party transactions.
3. An interested director shall not remain present during the discussion on such related party agreement or contract.

Approval of the Shareholders

1. The Company shall not enter into a related party transaction/s except with prior approval of its shareholders by passing a special resolution, where such transaction to be entered into exceeds limit as set out below-

Nature of Transaction	Value
Sale, purchase or supply of any goods or materials	> 25% of Annual Turnover
Selling or otherwise disposing of, or buying of, or buying, property of any kind	> 10% of Net Worth
Leasing property of any kind	> 10% of Turnover or Net Worth

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Availing or rendering of any services	> 10% of Net Worth
Such related Party's appointment to any office or place of profits in the Company, its subsidiary company or associates company	Monthly remuneration > ₹ 2.50 lakhs
Underwriting the subscription of any securities or derivatives thereof of the Company	> 1% of Net Worth

2. No Material Related Party Transaction, contract or arrangement shall be carried out or entered into with a related party, without the prior approval of shareholders by way of Special Resolution.
3. No related party shall vote on special resolution relating to any Related Party Transaction.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iii) Any related party transaction in the ordinary course of business on an arms length basis.

However, details of the above transactions under (i), (ii) and (iii) shall have to be notified by the prospective related parties to the Audit Committee to enable the Audit Committee to review and determine that the same are not in the nature of RPT under this policy.

6. Related Party Transactions not approved under this Policy

- In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be placed before the Audit Committee for their review.
- The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.
- The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

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- In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

7. Disclosures

- Annually the particulars of contracts or arrangements with related parties referred to in Section 188(1) in the prescribed form in the Board's report.
- In the Financial statements forming a part of the Annual Report of the Company
- As per Clause 49 of the Listing Agreement, all material Related Party Transaction to be disclosed quarterly basis alongwith the compliance report on corporate governance and
- The Company shall also have to disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

8. Indemnity

Where any contract or arrangement is entered into by a director any other employee, without obtaining the consent of the Board or approval by a Special Resolution in the General Meeting and if it is not ratified by the Board or as the case may be by the Shareholders at a meeting within 3 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 and if the contract or arrangement is with a related party to authorize any director, or is authorized by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

9. Amendments to this Policy :

The Audit Committee shall recommend changes to this policy from time to time.

In connection with approval/review of a Related Party Transaction, the Audit Committee has authority to modify or waive the process/procedure requirements of this Policy.