



**HINDUJA LEYLAND FINANCE**

# RELATED PARTY TRANSACTIONS POLICY

6<sup>th</sup> November 2019

## RELATED PARTY TRANSACTIONS POLICY

### 1. Introduction

Hinduja Leyland Finance Limited (the “Company”) is committed to upholding the highest standards of professional and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present potential or actual conflicts of interest of Directors, Key Managerial Personnel, Senior Management, etc. with the interest of the Company.

In order to ensure that the transactions entered into with related parties (as defined below) are in the best interests of the Company and the shareholders, the Board of Directors of the Company adopts this policy regarding review and approval of Related Party Transactions and to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

### 2. Policy Objectives

*(Indicative statement only. This would not serve to restrict the operation of the policy as may be required)*

This policy is framed pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015<sup>1</sup> including any statutory modifications or re-enactment thereof.

Provisions of this policy are designed to ensure transparency in the approval process and reporting and disclosure requirements, in terms of the applicable laws.

### 3. Definitions

#### 3.1 Applicable Law

*Applicable law means the Companies Act, 2013, the rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other*

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<sup>1</sup> Amended by the Board on 14<sup>th</sup> November, 2018

*secretarial and accounting standards as may be applicable including any statutory modifications or reenactment thereof.*

### **3.2 Arms' length basis**

*Arm's length basis means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length Basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961 (In line with AL)*

### **3.3 Associate**

*"Associate" means a company as defined under section 2(6) of the Act, and Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements".*

### **3.4 Audit Committee**

*"Audit Committee" means the Audit Committee of the Board which as on date complies with the provisions of Section 177 of the Act read with applicable Rules and Clause 49 of the Listing Agreement.*

### **3.5 Body Corporate**

*"Body Corporate" means an entity as defined in Section 2(11) of the Act.*

### **3.6 Director**

*"Director" means a person as defined in Section 2(34) of the Act.*

### **3.7 Key Managerial Personnel**

*"Key Managerial Personnel" mean the officers of the Company as defined in Section 2(51) of the Act and Rules prescribed thereunder.*

### **3.8 Employees**

*"Employees" mean the employees and office-bearers of the Company, including but not limited to Whole-Time Directors.*

### **3.9 Material Related Party Transaction**

*“Material Related Party Transactions” means a transaction with a Related Party which exceeds the threshold of 10 % of the annual consolidated turnover of the Company as per its latest audited financial statements or any other law or regulation including any amendment or modification thereof, as may be applicable.*

### **3.10 Ordinary Course of business** *(existing definition removed and new definition inserted with more clarity)*

*Ordinary Course of Business means: -*

- a) all such acts and transactions undertaken by the Company in the normal routine to conduct its business operations and activities and includes all such activities which the Company can undertake as per the Objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determining what is in the Ordinary Course Business. (from the existing HLF RPT Policy)*
- b) On occasions, the nature of the business carried out and industry practice in accordance with well settled customs and usages would help determining whether an activity is in the ‘ordinary course of business’ or not.*
- c) Activities in the ordinary course of business are likely to have a well established precedence in the company history. If an activity is being conducted for the first time, it is likely not part of the ordinary course of business.*
- d) Regular and frequently occurring activities will typically be considered to be unremarkable and in the ordinary course of business. Transactions which are infrequent and occur only once in a while are not to be classified as ‘ordinary’. We are assuming periodicity to be once every 18 months.*

- e) *Activities where the quantum of transactions are consistent with past history*
- f) *the following activities will generally not be considered as part of the ordinary course of business:*
  - (i) *Corporate Restructurings and Schemes of Arrangement between related entities*
  - (ii) *Slump Sales or Hive-Offs to related entities*
  - (iii) *Purchase of securities of related entities (other than for pure investment companies)*
  - (iv) *Royalty fees paid or received from related entities*
  - (v) *Providing capital support to group entities (other than whollyowned subsidiaries)*

*Point (b) to (f) are based on the guidance provided in the report titled "A Framework to define Ordinary course of business" by Institutional Investor Advisory Services – A Proxy Advisory Firm*

### **3.11 Related Party**

*"related party" means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards*

### **3.12 Related Party Transactions**

*"related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, 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:*

### **3.13 Relative**

*"relative" means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:*

### **3.14 Senior Management**

*“Senior Management” means personnel of the Company who are members of its core management team excluding Board comprising all members of management one level below the Senior Vice-president, including the functional heads.*

### **4. Related Party Transactions**

*All related party transactions and material related party transactions of the Company shall be carried out in accordance with the norms specified under the Companies Act, 2013, the rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications or re-enactment thereof.*

### **5. Approval Process**

1. *The Company will enter into Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:*

- a) *The Audit Committee shall laydown the criteria for granting omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;*
- b) *The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;*
- c) *Such omnibus approval shall specify the following:*
  - *Name(s) of the Related Party;*
  - *Nature of the transaction;*
  - *Period of transaction;*
  - *Maximum amount of transaction that can be entered into;*
  - *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.*
- d) *In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding  
Rs. 1 crore per transaction;*
- e) *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 approval given;*
- f) *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. *The Audit Committee will also undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require further approval of the Board, or if the Board in any case considers to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its review/approval as the case may be.*

3. *If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Applicable Law, the same shall be put up for approval by the shareholders of the Company.*

4. *If prior approval of the Audit Committee or Board or general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board or general meeting, if required, within 3 months of entering in the Related Party Transaction.*

5. *In any case where either the Audit Committee or Board or a General Meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee or Board has authority to modify or waive any procedural requirements of this Policy.*

6. *In determining whether to approve or ratify a Related Party Transaction, the Audit Committee or Board will consider whether the Related Party Transaction is on reasonable terms having regard to the circumstances of the case and the extent of the Related Party's interest in the transaction.*

#### **6. DISCLOSURE BY DIRECTORS/ KEY MANAGERIAL PERSONNEL**

- *Each Director and Key Managerial Personnel of the Company shall promptly notify the Company / Company Secretary of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary of the Company shall reasonably request. The Company*
- *Secretary, in consultation with other members of management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.*
- *Every Director or Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract*

*or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.*

- *Where any Director or Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.*
- *A contract or arrangement entered into by the Company without disclosure or with participation by a Director or Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.*
- *In addition, each Director or Key Managerial Personnel is required to make disclosures of the entities in which they or their Relatives are or are deemed to be interested, in the prescribed format under Applicable Law.*
- *Any Director or Key Managerial Personnel who has been convicted of the offence dealing with Related Party Transactions at any time during the last preceding five years shall be disqualified for appointment as Director / Key Managerial Personnel, as the case may be.*

## **7. GUIDING PRINCIPLES FOR REVIEW OF RELATED PARTY TRANSACTIONS**

### **7.1 Overall**

*To review a Related Party Transaction, the Board or Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the purpose and potential benefits to the Company of the*

*transaction and any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction, as may be considered material by the Audit Committee or Board or shareholders, as may be applicable in the light of circumstances of a particular transaction. In determining whether approval needs to be accorded to a Related Party Transaction, the Board or Audit Committee will consider the following factors:*

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party; ¶ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;*
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall interest of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director, Key Managerial Personnel or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board or Audit Committee deem fit to consider.*

*The Audit Committee or Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction. Further, the Audit Committee or Board reserves the authority to modify or waive any procedural requirements of this Policy.*

## ***7.2 Guidelines on Determination of Arm's length nature of the Related Party Transactions***

*As a matter of prudence, the following guidelines are issued:*

- 1. Any single transaction with Related Party in excess of Rs.25 Crore be principally informed to the Audit Committee members indicating the salient features of the transaction and how the transaction is at "Arm's Length".*

*At the time of determining the Arm's Length Basis of price charged for the Related Party Transaction, the Audit Committee shall inter- alia take into consideration the following: (i) Permissible methods of Arm's Length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.*

*(ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.*

*The Company relies on professionals and experts in the field of Company Law, Accounting and Taxation to review, certify and report on transactions, including those with Related Parties.*

*2. The management of the Company should ensure periodically that all transactions with Related Parties – be they on a single source basis or otherwise – are on an “Arm's Length” basis.*

#### **8. Related Party Transactions, which shall not require the approval**

*The following transactions shall not require separate approval under this Policy:*

*(i) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the statutory laws stated herein this policy 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) Indemnification and advancement of expenses made pursuant to any agreement or by-laws of the Company;*

*(iii) 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;*

- (iv) *Any transaction which is in the Ordinary Course of Business and on an Arm's Length Basis as determined in terms of this Policy;*
- (v) *Any transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;*
- (vi) *Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;*
- (vii) *Payment of Dividend;*
- (viii) *Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, approved by the Board and carried out in accordance with the specific provisions of the Act or the Listing Agreement;*
- (ix) *Contribution to Corporate Social Responsibility, subject to approval of Corporate Social Responsibility Committee and within the overall limits approved by the Board of the Company;*
- (x) *Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made thereunder, and must be approved in advance by the Audit Committee.<sup>2</sup>*

#### **9. Related Party Transactions not previously approved**

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 reviewed by the Audit Committee. The Audit Committee shall

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<sup>2</sup> Amended by the Board on 14<sup>th</sup> November, 2018

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 Audit 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.

Further, if the Related Party Transaction is not ratified within three months from the date on which such contract or arrangement is 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 any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

#### **7. Disclosures:**

All related party transactions during the quarter shall be reported to the Audit Committee during its quarterly / annual meetings considering unaudited / audited financial statements of the Company. Such other disclosures as may be required under the statutory laws referred in this policy.<sup>3</sup>

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<sup>3</sup> Ibid

## **8. Power to amend the policy**

*The Board of Directors reserves the power to review and amend this policy from time to time as and when necessary.<sup>4</sup>*

This policy was last reviewed and approved by the Board on 6<sup>th</sup> November, 2019

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<sup>4</sup> Ibid