



HEC INFRA PROJECTS LIMITED

RELATED PARTY TRANSACTION POLICY

[Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015]

Regd. Office:

Sigma-1 Corporates, Corporate House No.6,
Nr. Mann Party Plot Cross Road,
Sindhu Bhavan Road, Bodakdev,
Ahmedabad-380054.

1. SCOPE AND PURPOSE OF THE POLICY:

Related party transactions can present a potential or actual conflict of interest which may be against the best 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 thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, HEC Infra Projects Limited (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. OBJECTIVE OF THE POLICY:

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS:

In this Policy, unless the context otherwise requires-

a. “Act” means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

b. “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. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961;

c. **“Associate Company”** means any other company, in which the Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a joint venture Company.

Explanation- for the purpose of this clause, “significant influence” means Control of at least twenty per cent of total share capital, or of business decision under an agreement.

d. **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of SEBI (Listing Obligation and Disclosure) Requirements, 2015 and Companies Act, 2013.

e. **“Board”** means Board of Directors of the Company.

f. **“Company”** means HEC Infra Projects Limited.

g. **“Control”** shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a Director or Officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;

h. **“Key Managerial Personnel”** means managerial personnel as defined under sub section 51 of section 2 of the Companies Act, 2013 and includes

- 1) Managing Director, or Chief Executive Officer or manager and in their absence, a whole- time director;
- 2) Company Secretary; and
- 3) Chief Financial Officer

i. **“Material Related Party Transaction”** means any transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeding ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

j. **“Policy”** means Related Party Transaction Policy as originally framed or as altered from time to time.

k. "Related Party" means a person or an entity:-

- i. Which is related party under section 2(76) of the Companies Act, 2013; or
- ii. Which is a related party under the applicable accounting standards Related party under Section 2(76) of the Companies Act, 2013 and rules made thereunder are as follows:-
 - a. a director or his relative;
 - b. a key managerial personnel or his relative;
 - c. a firm, in which a director, manager or his relative is a partner;
 - d. a private company in which a director or manager is a member or director;
 - e. a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital ;
 - f. Anybody 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;
 - g. Any person on whose advice, directions or instructions a director or manager is accustomed to act.
 - h. Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
 - i. Any company which is –
 - A. A holding, subsidiary or an associate company (includes Joint venture) of such company; or
 - B. A subsidiary of a holding company to which it is also a subsidiary;
 - j. Director or Key Managerial Personnel of the holding company or his relative; or
 - k. Such other persons as may be prescribed by Central Government.

l. "Related Party Transaction" means any contract or arrangement with a related party with respect to:

- i. Sale, purchase or supply of any goods or materials;
- ii. Selling or otherwise disposing of, or buying, property of any kind;
- iii. Leasing of property of any kind;
- iv. Availing or rendering of any services;
- v. Appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

vii. Underwriting the subscription of any securities or derivatives thereof, of the company.

m. "Relative" means relative as defined under sub section 77 of Section 2 of the Companies Act, 2013 read with Companies (Specification of definitions details) Rules, 2014 and includes anyone 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 person as:
 - a. Father (including step-father)
 - b. Mother (including step-mother)
 - c. Son (including step-son)
 - d. Son's wife
 - e. Daughter
 - f. Daughter's husband
 - g. Brother (including step-brother)
 - h. Sister (including step-sister)

4. MATERIALITY THRESHOLDS:

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 irrespective of whether the entity is a party to the particular transaction or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION:

a. 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 Obligations and Disclosure Requirements) Regulations, 2015.

b. Identification of Related Party Transaction:

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 Obligations and Disclosure Requirements) Regulations, 2015. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external expert opinion, if necessary.

6. APPROVAL OF RELATED PARTY TRANSACTIONS:

A. Audit Committee:

All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

Any member of the Committee who has a potential interest in any related party transaction will recuse himself and abstains from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.

The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to certain criteria/conditions as required under Regulation 23 and Companies Rules, 2014 and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of one year.

Any other conditions as the Audit Committee may deem fit.

B. Board of Directors:

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the

transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

C. Shareholders:

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not at Arm's Length or not in the ordinary course of business; and
- (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

All existing material related party contracts or arrangements entered into prior to the date of notification of the SEBI (LODR) Regulation, 2015, i.e. September 2, 2015 and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting after September 2, 2015.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. 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 Audit Committee shall also examine the facts and circumstances of the case and shall take any such action it deems appropriate.

8. DISCLOSURE(S):

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report along with the justification for entering into such contract or arrangement.

The Company shall disclose the policy on dealing with Related Party on its website and web-link shall be provided in the Annual Report.

9. 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.
