



HPL ELECTRIC & POWER LIMITED

Policy on Related Party Transactions

Approved by the Board of Directors on November 14, 2016
Revised on February 14, 2020
Reviewed & Revised on May 26, 2022
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1. INTRODUCTION

The Board of Directors (the “Board”) of HPL Electric & Power Limited (the “Company” or “HPL”), recognizes that certain relationships can present potential or actual conflicts to interest and may raise questions about whether transactions associated with such relationships are consistent with Company’s and its stakeholders’ best interest. The Company must specifically ensure that certain transactions are effected and disclosed in accordance with strict legal and accounting standard to which it is subject

2. PURPOSE

The provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 required formulation of a Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions. The policy is intended to ensure proper approval and reporting of related party transactions. However, SEBI Listing Regulations were further amended by SEBI suggesting further changes to the Related Party Governance regime.

3. DEFINITIONS

“Act” shall mean the Companies Act, 2013 and the rules framed there under, including any modifications, amendments, clarifications circulars or re-enactment thereof.

“Arms Length basis” means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.

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

“Board” means Board of Directors of the Company.

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

“Key Managerial Personnel” mean key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013;

“Policy” means Related Party Transaction Policy.

“Related Party” have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.



“Relative” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under and SEBI Listing Regulations.

“Related Party Transaction” means a transfer of resources, services or obligations Between

- (i) 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; or
- (ii) 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, with effect from April 1, 2023;

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

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. sub-division or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board
- (d). retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

including but not limited to the following:



- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
- g) underwriting the subscription of any securities or derivatives thereof, of the company.

The term shall have the meaning as prescribed under the SEBI Listing Regulations as may be amended from time to time or relevant provisions of the Act.

“Material Related Party Transaction” mean 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 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.

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 percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Material Modification” means

- (i) Change in overall transaction value of any Material Related Party Transaction beyond 10%; or
- (ii) Extension in duration of any Material Related Party Transaction contract beyond a period of 6 months from the agreed tenure; or
- (iii) Such other criteria as may be prescribed by the Audit Committee on case to case basis.



4. APPROVAL OF RELATED PARTY TRANSACTIONS

- A. As per the Companies Act, 2013, the related party transactions entered into by the company which is in its ordinary course of business and which is on an arm's length basis does not require any approval from Board of directors or the shareholders.
- B. As per the Regulation 23 of SEBI Listing Regulations, all related party transactions and subsequent material modification shall require prior approval of the Audit Committee, Further, all Material Related Party Transactions and subsequent material modifications shall require the prior approval of the Board of Directors

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) a related party transaction to which the subsidiary of a the company is a party but 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the company;
- (b) with effect from April 1, 2023, a related party transaction to which the subsidiary of a company is a party but 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (c) remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (d) The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions
 - (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;



- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of regulation 23;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

(d) The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company, subject to the following conditions:

- (a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) 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:

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 transactions subject to their value not exceeding rupees one crore per transaction.

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

C. The following types of related party transactions shall require prior approval of the shareholders through resolution:

- a) All material related party transactions and Subsequent material Modifications



- b) All such Related Party Transactions which are not in the ordinary course of business and which exceed the threshold limits as given under Companies Act, 2013

No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

5. DISCLOSURES

Every director of a 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—

- a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, 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 such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

The Company is required to disclose Related Party Transactions in the Company's Annual Report as per the requirements of Companies Act, 2013. Details of approval of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the SEBI Listing Regulations.

Company shall report the related party transactions to the Stock Exchange within such time and manner as may be specified from time to time.

This Policy on Related Party Transactions shall be disclosed on Company's website and a web link there to shall be provided in the Annual Report of the Company.

6. AMENDMENT

Any Amendment on the subject of this Policy shall automatically have the effect of amending this Policy without the need of any further approval of the Board of Directors.