



HINDUSTAN FOODS LIMITED

**POLICY ON MATERIALITY OF RELATED
PARTY TRANSACTIONS AND ON DEALING
WITH RELATED PARTY TRANSACTIONS**



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1. PREAMBLE:

The Board of Directors (the “Board”) of Hindustan Foods Limited (the “Company” or “HFL”), has adopted the following policy and procedures with regard to the Related Party Transactions as defined below. The Board 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 laws and regulations applicable to the Company.

2. PURPOSE:

This policy is primarily framed based on Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 [hereinafter referred to as “Listing Regulations”] and the provisions of the Companies Act, 2013 (the “Act”) read with applicable rules made there under which provide a framework for regulating transactions with the Related Parties.

3. DEFINITIONS

- 3.1. “The Act” means the Companies Act, 2013, together with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as “Act”).
- 3.2. “Accounting Standards” means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.
- 3.3. “Associate Company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- 3.4. “Policy” means Policy on Related Party Transactions.
- 3.5. “Board” means Board of Directors of the Company.
- 3.6. “Audit Committee” means Committee of Board of Directors of the Company constituted under the applicable laws.



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3.7. “Key Managerial Personnel” or “KMP” means:

- (i) The Chief Executive Officer (CEO) or the Managing Director or the Manager as defined under the Act;
- (ii) The Company Secretary;
- (iii) The Whole- time director and
- (iv) the Chief Financial Officer (CFO) and
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board;
- (vi) such other officer as may be prescribed;

3.8. “Relative”, with reference to any person, means one who is related to another in any of the following manner —

- (i) if they are members of a Hindu Undivided Family
- (ii) if they are husband and wife
- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

3.9. “Related Party” shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations. (including as amended from time to time)

3.10. “Related Party Transaction” shall have the meaning as defined under Section 188 of the Act read with Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended, and shall mean a transaction involving a transfer of resources, services or obligations between:

- a) the Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand;
- b) the Company 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 Company or any of its subsidiaries with effect from April 1, 2023



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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, 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
- (f) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company

Following shall not be considered Related Party Transaction of the Company in terms of SEBI Listing Regulations:

- a) Any transaction pertaining to appointment and remuneration and sitting fees paid by Company or its subsidiaries of Directors, KMPs and senior management, who are not part of the promoter / promoter group, that has already been approved by the Nomination and Remuneration Committee of the Company or the Board that the same is not material in terms of the provisions of Regulation 23 of the Listing Regulations.
- b) Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- c) Payment of Dividend
- d) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- e) Contribution to Corporate Social Responsibility (CSR) obligations, subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

3.11. "Regulations" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications or reenactments thereof for the time being in force (hereinafter referred to as "SEBI LODR Regulations").



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3.12. “Material Related Party Transaction” 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 Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company

3.13. “Unforeseen Related Party Transaction” means a related party transaction, where the need for such transaction cannot be foreseen, the details whereof necessary for seeking an omnibus approval of the Audit Committee are not available and the value of such transaction does not exceed Rupees one crore per transaction.

3.14. “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.

3.15. “Transactions in the ordinary course of business” mean transactions/activities that are connected to or necessary for the business of the Company and satisfy the following principles:

- a) The transaction/activity is permitted under the Memorandum and the Articles of Association of the Company;
- b) The transaction/activity is carried on a frequent or regular basis or is as per the industry practice; and
- c) The terms of the transaction/activity are similar to those which would be otherwise applicable to transactions with unrelated parties.
- d) The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations or any other applicable law or regulation, each as amended.



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4. POLICY

Identification of Related Party Transactions:

Each Director and Key Managerial Personnel (KMP) is responsible to notify to the Board regarding persons and entities to be considered as 'Related Parties' by virtue of his/her being Director/ KMP in the company. Such Notice shall be issued to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

The Company Secretary shall be responsible for keeping a record of all Related Parties of the Company and the transactions with all Related Parties at all times. As regards transactions with Related Parties that require prior approval of the Audit Committee/Board, the Company Secretary shall be responsible to notify the Audit Committee/Board of any such potential Related Party Transactions.

As regards transactions with Related Parties that require prior approval of the Board/Audit Committee, the Company Secretary shall be responsible to notify the Board/Audit Committee of any such potential Related Party Transactions.

The notice of any potential Related Party Transaction shall be given well in advance to the Board/ Audit Committee and shall also contain adequate information about the Related Party transaction(s). This will provide the Board/Audit Committee members adequate time and information to consider and review the proposed transaction(s).

Approval and Review of Related Party Transactions:

The Company shall take prior approval of Audit Committee, Board or Shareholders, as may be required under this policy to enter into Related Party Transactions.

While seeking the approval of the Audit Committee, Board or the Shareholders, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the Laws or by the Audit Committee or the Board, shall be duly provided to the Audit Committee, Board or Shareholders, as the case may be.





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(i) Transactions requiring prior approval of the Audit Committee:

- a) All Related Party Transactions and any subsequent material modifications as defined by the Audit Committee;
- b) RPTs where subsidiary is a party but the Company is not a party and the transaction amount exceeds the threshold of:
 - 1) 10% of the consolidated turnover of the Company w.e.f. April 1, 2022
 - 2) 10% of the standalone turnover of the subsidiary w.e.f. April 1, 2023

Prior approval of the Audit Committee shall not be required for:

- 1. Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- 2. Related Party Transactions of unlisted subsidiaries of listed subsidiary of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.
- 3. 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.
- 4. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- 5. Any transaction pertaining to appointment and remuneration and sitting fees paid by Company or its subsidiaries of Directors, KMPs and senior management, who are not part of the promoter / promoter group, that has already been approved by the Nomination and Remuneration Committee of the Company or the Board that the same is not material in terms of the provisions of Regulation 23 of the Listing Regulations



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Members of the Audit Committee, who are independent directors, shall alone approve Related Party Transactions.

The Audit Committee shall grant approval/ omnibus approval for Related Party Transactions proposed to be entered into by the Company, in line with this policy on the Related Party Transactions of the Company.

The Audit Committee may grant omnibus approval for Related Party Transactions considering the repetitive nature of the transactions. The Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

However, the Company may obtain omnibus approval from the Audit Committee for all Related Party Transactions subject to compliances with the conditions prescribed in paras 1 to 9 below.

1. The omnibus approval granted by the Audit Committee shall include the following particulars:
 - Name of the related parties and its relationship with the Company or its subsidiary
 - Nature and duration of the transaction;
 - Maximum amount of transaction that can be entered into;
 - Minimum information about the RPTs as per the provisions of the Industry Standards if applicable and
 - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - repetitiveness of the transactions (in past or in future);
 - justification for the need of omnibus approval.
3. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company



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4. In case of Unforeseen Related Party Transactions, the Audit Committee may grant an omnibus approval for such transactions provided that the value does not exceed Rs.1 crore per transaction in a financial year.
5. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of Related Party Transactions entered into by the Company pursuant to the omnibus approval given; The management shall submit a report to the Audit Committee providing a comparison between the approvals granted and the actual transactions on a quarterly basis.
6. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after expiry of one year.
7. The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.
8. Omnibus approval can be granted by the audit committee for related party transactions of the Company as well as of its subsidiaries.
9. Any other conditions as the Audit Committee may deem fit.

Audit Committee has defined “**material modifications**” as following:

Material Modifications of Related Party Transaction” in relation to the Company means and includes any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

(ii) Transactions requiring prior approval of the Board:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm’s length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

1. Transactions which may be in the ordinary course of business and at arm’s length basis, but which are, as per the Policy, determined by the Board from time to time (i.e. value



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threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

2. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
3. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;
4. Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

(iii) Transactions requiring prior approval of the Shareholders:

All the transactions with related parties exceeding the materiality thresholds, laid down in the Policy, are placed before the shareholders for approval.

For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of 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' prior approval for Material Related Party Transactions shall not be applicable for the following cases:

1. transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
2. Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
3. Related Party Transactions of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.



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4. 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.
5. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

5. DISCLOSURES

Appropriate disclosures as required under the Laws shall be made in its Annual Return, Boards' Report and at such other places and to the Stock Exchanges on which equity shares of the Company are listed and such other authority as may be prescribed under the Laws.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY.

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

The failure to seek ratification of the audit committee shall render related party transactions voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the Company against any losses incurred.

7. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Board periodically and at least once in three years and appropriate recommendations shall be made by the Audit Committee to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

8. 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 are subject





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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.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
