

HARIOM PIPE INDUSTRIES LIMITED

RELATED PARTY TRANSACTION POLICY

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

(Revised adopted on May 17, 2024)

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

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

1. Scope and purpose of the policy:

- 1.1. HARIOM PIPE INDUSTRIES LIMITED (“**the Company**” or “**HARIOM**”) recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company and its shareholders’ best interests and in compliance to the provisions of the Companies Act, 2013 (“**the Act**”) read with the Rules framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) as amended from time to time. HARIOM has formulated the RPT policy and guidelines for identification of related parties and the proper conduct and documentation of all related party transaction.
- 1.2. This Policy on Related Party Transactions (“**RPT Policy**” or “**Policy**”) is framed in accordance with the requirement of Regulation 23(1) of the SEBI Listing Regulations, which requires a company to formulate a policy on materiality of Related Party Transactions (“**RPT**”) and dealing with Related Party Transactions. Regulation 23(2) of the SEBI Listing Regulations also requires defining material modifications of RPT and discloses it as part of RPT policy.
- 1.3. This Policy has been adopted by the Board of Directors (“**the Board**”) of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee shall review and amend the RPT Policy, as and when required, subject to approval of the Board.

2. Objective of the policy:

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

3. Definitions:

- 3.1. “**Act**” means the Companies Act, 2013 and the Rules framed thereunder including any statutory modification or re-enactment thereof for the time being in force;
- 3.2. “**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.
- 3.3. “**Material Related Party Transaction**” means a transaction with a related party where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 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) exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

3.4. "Material Modifications(s)" means and include any modification to an existing RPTs, in aggregate with a related party, having variance of 20% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

3.5. "Ordinary Course of Business" means a transaction which is:

- a. Carried out in the normal course of business envisaged in accordance with the Memorandum of Association ("MOA") of the Company as amended from time to time;
- b. Carried out historically with a pattern of frequency;
- c. Common commercial or established trade practice;
- d. Carried out for the business purpose irrespective of its frequency;
- e. The income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity;
- f. Meets any other parameters / criteria as decided by the Board / Audit Committee from time to time.

3.5. "Policy" means this Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

3.6. "Regulation 23" means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3.7. "Related Party" means a related party 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, and as per the applicable Indian Accounting Standard (Ind AS) notified by the Ministry of Corporate Affairs, as amended from time to time

3.8. "Relative" shall have the same meaning as assigned to it under Section 2(77) of the Companies Act, 2013 and the rules made thereunder and the SEBI Listing Regulations.

3.9. "Related Party Transaction" ("RPT") shall have the same meaning as defined under the Companies Act, 2013 and Rules made thereunder and 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 listed entity and a related party, regardless of whether 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 or property;
- f. appointment to any office or place of profit in the company;
- g. underwriting the subscription of any securities or derivatives thereof, of the company.

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

Any other term used in this Policy but not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation as amended from time to time.

4. Materiality Thresholds:

Regulation 23 of the Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In an event, a Related Party Transaction, breaches the materiality threshold, prior approval of the shareholders of the Company will be required through resolution. Prior approval of shareholders is also required in case of any subsequent material modifications to the Related Party Transactions.

None of the related parties of the Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

Company has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the Listing Regulations:

- (i) Any contracts/ arrangements with a related party shall be considered as "material" if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crores or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.
- (ii) 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 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.

5. Manner of dealing with Related Party Transaction:

All related party transactions shall be pre-approved by the Audit Committee. The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the provisions of Section 177 of the Act and rules made thereunder and Regulation 23 of the SEBI Listing Regulations, as amended from time to time.

Identification of Related Party Transactions:

- (i) Each Director and Key Managerial Personnel (KMP) is responsible for providing notice to the Board/Audit Committee of any potential Related Party Transaction (RPT) involving him/her or his/her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy. The Board/Audit Committee may delegate such powers to the officer(s) of the Company as it deems fit.
- (ii) The Chief Financial Officer (CFO) shall be responsible to notify the Audit Committee /Board of any potential transactions with Related Parties which require prior approval of the Audit Committee/Board.
- (iii) Such notice of any potential RPT 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).

6. Approval of Related Party Transactions:

6.1. Transactions requiring approval of Audit Committee:

Every RPT and subsequent material modifications shall be subject to the prior approval/recommendation, of the Audit Committee whether at a meeting or by resolution by circulation. Members of the Audit Committee, who are Independent Directors, shall only approve RPT. The Audit Committee at its discretion may grant omnibus approval for the proposed Related Party Transaction to be entered into by the Company subject to the following conditions:

- I. The Audit Committee shall lay down 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;
- II. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- III. Such omnibus approval shall specify the following details:
 - i. Name(s) of the Related Party;
 - ii. Nature of the transaction; Period of transaction;
 - iii. Maximum amount of transaction that can be entered into;

- iv. The indicative base price / current contracted price and the formula for variation in the price, if any, and;
- v. Such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT cannot be foreseen and details as required above are not available, Audit Committee may grant omnibus approval for such transactions subject to the value not exceeding Rs. 1,00,00,000/- (Rupees One Crore) per transaction.

- IV. The Audit Committee shall review, at least on a quarterly basis, the details of RPT entered into by the Company pursuant to the omnibus approval given.
- V. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one year.

A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise not pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

While considering any RPT, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits to the Company and to the related party along with other relevant matters, if any.

Audit Committee has defined material modifications as follows: Material Modifications of Related Party Transaction in relation to the Company means and include 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.

6.2. Transactions requiring approval of the Board of Directors:

- 6.2.1. As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business and /or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of resolution passed at a meeting of the Board.
- 6.2.2. In addition to the above, the following transactions with related parties are also placed before the Board for its approval:
 - i. 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/Audit Committee from time to time require Board approval in addition to Audit Committee approval;
 - ii. 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;

- iii. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
- iv. Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.

6.2.3. Any director of the company, who has any interest in any RPTs, shall disclose their interest and shall not participate during discussions and vote on the subject matter of the resolution related to such transaction.

6.3 Transactions requiring approval of Shareholders of the Company:

6.3.1. All the Material RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications thereof as per the provisions of the SEBI Listing Regulations, are placed before the shareholders for their prior approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for their prior approval.

However, the requirement of shareholders' prior approval for Material Related Party Transactions shall not be applicable for the following cases:

- a. RPTs, 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;
- b. RPTs of unlisted subsidiaries of a listed subsidiary of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained;
- c. Transactions entered into between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
- d. 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.

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

6.3.3. Further, while sending of the notice(s) to the shareholders of the Company seeking approval for any proposed RPTs shall, in addition to the requirements under the Act, include the following information as a part of the explanatory statement:

- i) A summary of the information provided by the management of the Company to the Audit Committee;
- ii) Reasons/justification for why the proposed transaction is in the interest of the Company;
- iii) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under:
 - (i) details of the source of funds in connection with the proposed transaction;
 - (ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- iv) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- v) Any other relevant information or such information as may be prescribed under SEBI LODR

In any case where either the Audit Committee or Board or Shareholders/Members determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or Shareholders/Members, 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. In determining whether to approve or ratify a Related Party Transaction.

6.4 Related Party Transactions that shall not require Approval:

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 the relevant facts and circumstances regarding the RPTs, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPTs. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPTs to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate

In any case, where the Audit Committee determines not to ratify a RPTs that has been commenced without appropriate approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party, etc. In connection with any review/approval of RPTs, the Audit Committee shall have authority to modify or waive any procedural requirements of this Policy.

Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a related party to any Director, or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against any Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

6.5 Approval by Circular Resolution

In the event the company management determines that it is impractical or undesirable to wait until a meeting of the Board/Committee to enter into a Related Party Transaction, such transaction may be approved by the Board/Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Board/Committee at its next scheduled meeting.

6.6 Approval of "Material" Related Party Transactions

All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2), shall require prior approval of the shareholders through resolution and no related party

shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

7. Disclosure of the Policy:

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with the Related Parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction. The Company is required to disclose each year in the Financial Statements and report of the Board of Directors certain transactions between the Company and its Related Parties.

The Company shall submit to the Stock Exchanges disclosures of Related Party Transactions in the format as specified by the Board from time to time, and publish the same on its website.

Provided that the Company shall make such disclosures every six months within 15 days from the date of publication of its standalone and consolidated financial results.

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

8. Amendments:

The Company may amend the Policy as and when it deems necessary either pursuant to any change in law or otherwise. The Company shall be free to devise and implement any supplementary or other policies and guidelines in respect hereof for better implementation of this Policy.

Any subsequent amendment/modification in the Listing Regulations or the Act or any other applicable laws, direction or clarification by SEBI, provision of this Policy shall be read and implemented in context of such amended/modified or clarified positions.

In the event of any conflict between the provisions of this Policy and the Listing Regulations or the Act or any other statutory enactments, rules, the provisions of such Listing Regulations or the Act or statutory enactments, statutory provisions shall prevail over this Policy.

9. Review of Policy:

This policy shall be reviewed and reassessed periodically, being once in every three

years and appropriately update the terms of reference, based on the changes that may be brought about due to any regulatory amendments or otherwise.

10. Policy:

- 10.1. All related party transaction shall be entered on arms' length basis.
- 10.2. In exceptional circumstances, subject to the provisions of Companies Act, 2013 and SEBI Listing Regulations, RPTs may deviate from the principle of arm's length, after approval from Audit Committee, the Board of Directors and shareholders approval, as the case may be.
- 10.3. All RPTs shall be in compliance with the provisions of the Companies Act, 2013 read with Listing Regulations and applicable Accounting Standards, as amended from time to time.
- 10.4. The Company shall comply with disclosure requirement of the Companies Act, 2013 and Listing Regulations from time to time.
