

HUBTOWN

**HUBTOWN LIMITED**

**POLICY  
ON  
RELATED PARTY TRANSACTIONS**

(Effective from January 24, 2019)

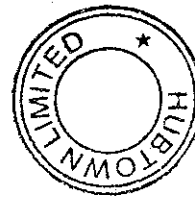


# HUBTOWN LIMITED

## REVISED POLICY ON RELATED PARTY TRANSACTIONS

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# HUBTOWN LIMITED

## Policy on Related Party Transactions

### 1. INTRODUCTION :

Hubtown Limited (the 'Company') recognizes that Related Party Transactions as defined below can present potential or actual conflict of interest and may raise questions about whether such transactions are consistent with the Company and its stakeholders best interests. Therefore, this Policy regarding the review and approval of Related Party Transactions has been adopted by the Board of Directors of the Company in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

### 2. PREAMBLE :

The Companies Act, 2013 (the 'Act') and Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, has significantly revised the regulations governing related party transactions entered into by Indian companies. The Act defines 'related parties' and 'related party transactions' and prescribes certain approval requirements with respect to such transactions.

Considering the requirements for approval of related party transactions as prescribed under the Act read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('SEBI Listing Regulations') as amended from time to time, Hubtown Limited had formulated revised guidelines for identification of related parties and for proper conduct and documentation of related party transactions.

Moreover, Regulation 23 (1) of SEBI Listing Regulations requires the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In order to consolidate the procedural requirements under the Act and the SEBI Listing Regulations, this Policy has been revised and appropriately amended by the Board of Directors of the Company in its meeting held on January 24, 2019.

This Policy shall be effective from January 24, 2019. This Policy can be accessed from the Company's website : [www.hubtown.co.in](http://www.hubtown.co.in) in the Section on 'Investors'.

### 3. OBJECTIVES OF THE POLICY :

The objectives of this Policy are set out hereunder :

- i. the materiality thresholds for related party transactions; and
- ii. the manner of dealing with the transactions between the Company and its related parties based on the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

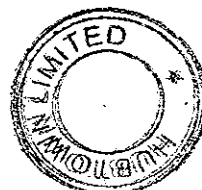
### 4. DEFINITIONS :

For the purpose of this Policy, the following definitions apply :

"Act" means the Companies Act, 2013 and the Rules framed thereunder including any modification, amendment, clarification or re-enactment thereof.

"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.

"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.



**“Key Managerial Personnel”** means :

- (i) the Managing Director or Chief Executive Officer or manager and in their absence, a whole-time director ;
- (ii) the Company Secretary; and
- (iii) the Chief Financial Officer;

**“Material Related Party Transaction”** means a material transaction as defined in the Explanation to Regulation 23 (1) of the SEBI Listing Regulations, 2015 – 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 10 % of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. In case of payment to a related party for brand usage or royalty, the materiality threshold will be 2 % of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

**“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per the Objects stated in the Memorandum of Association. The Board/Audit and Compliance Committee shall determine any activity to be in the ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

**“Relative”** with reference to a Director or KMP means persons as defined in Section 2 (77) of the Act and the Rules made thereunder .

**“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 as amended.

**“Related Party Transactions”** under Section 188 (1) of the Companies Act, 2013 means :

- (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; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

**“Related Party Transaction”** under Regulation 2 (zc) of SEBI Listing Regulations, 2015 means a transfer of resources, services or obligation between a listed entity and a related party, regardless of whether or not a price is charged and a transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

This Policy on Related Party Transactions complements the existing legal framework and aims at avoiding a conflict of interest in relation to the Related Party Transactions.

Any other term 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 and as amended from time to time.



## 5. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders by way of a resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to that particular transaction or not. Related Parties can cast only negative votes to reject the resolution on material related party transaction.

Provided that approval of the shareholders will not be required for material related party transaction 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 the stock exchanges within one day of the resolution plan being approved.

The Company has fixed the following materiality thresholds for the purpose of Regulations 23 (1), 23 (1A), and 23 (4) of the SEBI Listing Regulations.

Sr. No.	Criteria	Material Related Party Transactions under Companies Act, 2013	Material Related Party Transactions under Regulation 23 (1) of SEBI Listing Regulations, 2015
1*	Sale, purchase or supply of any goods or materials directly or through appointment of agent. (a) (e)	exceeding 10 % of the annual turnover of the Company or Rs. 100 crores, whichever is lower.	All transactions with related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10 % of annual consolidated turnover of the Company based on the last audited financial statements.
2*	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent. (b) and (e)	exceeding 10 % of the networth of the Company or Rs. 100 crores, whichever is lower.	
3*	Leasing of property of any kind. (c)	exceeding 10 % of the networth of the Company or exceeding 10 % of the turnover of the Company or Rs. 100 crores, whichever is lower.	
4*	Availing or rendering of any services, directly or through appointment of agent for purchase or sale of goods, materials, services or property. (d) (e)	exceeding 10 % of the turnover of the Company or Rs. 50 crores, whichever is lower.	
* - Limit shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.			
6	Appointment to any office or place of profit in the company, its subsidiary company or associate company; (f)	Monthly remuneration exceeding Rs.2,50,000/-.	
7	Underwriting the subscription of any securities or derivatives thereof, of the company. (g)	Remuneration exceeding 1 % of the networth of the Company.	



The Related Transaction Policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

**6. RELATED PARTY TRANSACTIONS APPROVAL MATRIX :**

No transaction with a Related Party shall be entered into by the Company unless it is approved by the appropriate authority. The table below lists the approval matrix applicable to such transactions.

Nature of Transactions	Approving Authority	Rationale
All transaction with Related Parties including transactions to be entered into in the ordinary course of business and on arm's length basis and are not material as per the Companies Act, 2013 or SEBI Listing Regulations.	Audit and Compliance Committee Noting by the Board	Requirement under Section 188 (1) read with Section 177 (4) (iv) of the Companies Act, 2013 and Regulation 23 (2) of SEBI Listing Regulations.
All Material Related Party Transactions as per SEBI Listing Regulations (regardless of whether they are in the ordinary course and/or on arm's length basis)	Audit and Compliance Committee Board of Directors and shareholders of the Company by a prior resolution	Requirement under Section 188 (1) read with Section 177 (4) (iv) of the Companies Act, 2013 and Regulation 23 (4) of SEBI Listing Regulations.
Related Party Transactions which are either not at arm's length or not undertaken in the ordinary course of business but material as per the Companies Act, 2013	Audit and Compliance Committee Board of Directors Shareholders of the Company by a prior resolution	Requirement under Section 188 of the Act read with Rule 15 (3) of the Companies (Meetings of the Board and its Powers) Rules, 2014.
All transactions with Related Parties including transactions not entered into in the ordinary course of business or not on arms' length basis but not material as per the Companies Act, 2013	Audit and Compliance Committee Approval by the Board	Requirement under Section 188 (1) read with Section 177 (4) (iv) of the Companies Act, 2013

- a. Pursuant to second proviso to Section 188 (1) of the Companies Act, 2013 and Regulation 23 (4) of SEBI Listing Regulations, all entities falling under the definition of 'Related Parties' shall abstain from voting irrespective of whether the entity is a related party to the particular transaction or not. The quorum in general meeting shall exclude such 'related parties'.
- b. The turnover or networth referred to hereinabove shall be computed on the basis of the audited financial statements of the preceding financial year.
- c. The shareholders approval will not be required for material related party transactions in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.



**7. APPROVAL PROCESS :**

- 7.1 a. Transactions with Related Parties shall generally be in the form of master agreements, which would define the terms governing the individual transaction/work order/purchase orders to be undertaken under the master agreement.
- b. The Company shall :
- i. identify the transactions with Related Parties;
  - ii. perform tests to determine whether the transaction is in the ordinary course of business operations or otherwise;
  - iii. review the commercial terms involved in the transaction and analyze whether the transaction is at arm's length as if the party is unrelated;
  - iv. consider the value of the transaction to determine if it is a Material Related Party Transaction;
  - v. determine the approval requirements applicable to the transaction in accordance with this Policy;
  - vi. prepare and maintain relevant documentation supporting the basis of assessment so made;
  - vii. present the required details to the Audit and Compliance Committee, Board or Shareholders for approvals as required; and
  - viii. execute the Master Agreement once the approvals are obtained.

**7.2 Factors to be considered by the Audit and Compliance Committee and Board of Directors while approving Related Party Transactions :**

- a. Whether the terms of the Related Party transactions are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transactions and the nature of alternative transactions, if any.
- c. Whether the Related Party Transaction would affect the independence of Independent Directors.
- d. Whether the proposed transaction includes any potential reputational risk issue that may arise as a result of in connection with the proposed transaction.
- e. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining prior approval of the Committee and the relevance of business urgency and whether subsequent ratification allowed would be detrimental to the Company.
- f. The materiality of the Related Party Transaction.
- g. The extent of the interest of the Related Party in the Related Party Transaction.
- h. The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction.
- i. The commercial reasonableness of the Related Party Transaction.
- j. 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 and other factors which the Committee/Board may deem relevant.
- k. Whether a particular transaction is on arms' length basis or not shall be decided by the Board of Directors and the Audit and Compliance Committee. Once the Board of Directors on the recommendation of the Audit and Compliance Committee determines that the relevant transaction has taken place on an arms' length basis, so long as they have reasonable basis for the same, their decision shall be final.



### 7.3 Approvals for Related Party Transactions :

- a. The approval of the Audit and Compliance Committee shall be required for entering into any Master Agreement or a transaction with a Related Party, including any amendment or modification to such agreements;
- b. The following information shall be provided to the Audit and Compliance Committee with respect to each Related Party Transaction/Master Agreement :
  - i. Name of the related party and nature of relationship;
  - ii. Name of the Director or Key Managerial Personnel who is related, if any;
  - iii. Nature, duration of the contract and particulars of the contract or arrangement;
  - iv. Whether the transaction is in the ordinary course of business;
  - v. Whether the transaction is conducted on arm's length basis;
  - vi. Material terms of the contract or arrangement including the value, if any;
  - vii. Any advance paid or received for the contract or arrangement, if any;
  - viii. The manner of determining the pricing and other commercial terms;
  - ix. Whether all factors relevant to the contract have been considered; and
  - x. Any other relevant information.
- c. Each Master Agreement or any transaction with a Related Party shall be subject to the approval of the Audit and Compliance Committee and/or the Board of Directors and/or the Shareholders, as applicable in accordance with this Policy.
- d. The Audit and Compliance Committee may call for further information/documents to understand the scope of the proposed Related Party Transaction.
- e. The Audit and Compliance Committee shall review all the proposed Related Party Transactions, to ensure that a conflict of interest does not exist and evaluate it from the perspective of arm's length pricing and are in the ordinary course of business.
- f. Upon completion of its review of the transaction, the Audit and Compliance Committee may approve or decline the Related Party Transaction or may suggest any modification(s) to the proposed Related Party Transaction.
- g. No member of the Audit and Compliance Committee shall participate in the review, consideration or approval of any Related Party transaction with respect to which such member or any of his relative is a Related Party.
- h. If the Audit and Compliance Committee determines that the Related Party Transaction requires the approval of the Board of Directors and/or the shareholders as per the terms of this Policy and applicable regulatory provisions, then it shall refer the said Related Party Transaction to the Board of Directors for its approval.
- i. In case the Board determines that the Related Party Transaction requires the approval of the shareholders as per the terms of this Policy and applicable regulatory provisions, then the Board shall seek the approval of the shareholders by a resolution for the 'Material Related Party Transactions' in the subsequent annual general meeting of the year in which the Related Party Transaction is undertaken or by Postal Ballot process. All the related parties shall abstain from voting on such resolution.

While Regulation 23 (5) of SEBI Listing Regulations, 2015 provides that the requirement for seeking the approval of the Audit and Compliance Committee shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at a general meeting, no such exemption has been provided under the Companies Act, 2013. As such transactions between the Company and its wholly owned subsidiaries would also require the approval of the Audit and Compliance Committee under Section 177 (4) (iv) of the Companies Act, 2013.





**8. EXCEPTIONAL HANDLING :**

- a. If the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, then such Related Party Transaction shall be reported to the Audit and Compliance Committee for its approval. A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this Policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after the Company becomes aware of such transaction.
- b. While reviewing a Related Party Transaction that has not been approved under this Policy, the Audit and Compliance Committee shall consider all the relevant facts and circumstances related to the transaction, and shall evaluate all options available to the Company including ratification, revision or termination of such transaction and shall take such course of action as the Audit and Compliance Committee deems appropriate under the circumstances. In connection with the review of any Related Party Transaction, the Committee shall have the authority to modify or waive any procedural requirements of this Policy.

**9. OMNIBUS APPROVAL OF RELATED PARTY TRANSACTIONS :**

The Audit and Compliance Committee may grant omnibus approval for Related Party transactions proposed to be entered into by the Company, subject to the following conditions :

- i. The Audit and Compliance Committee shall grant omnibus approval in line with this Policy and such approvals shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit and Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify (i) name(s) of the related party, nature of transaction, period of transaction, maximum amount per transaction that can 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 and Compliance Committee may deem fit;
- iv. Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit and Compliance Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction;
- v. The Audit and Compliance Committee shall review, on a quarterly basis the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
- vi. Such omnibus approvals shall be valid for a period of one year and shall require fresh approvals after the expiry of one year; and
- vii. The above provisions shall not apply to transaction entered into between the Company and its wholly owned subsidiary companies.

**10. DISCLOSURE BY DIRECTORS :**

- a. Every Director 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 :
  - (i) with a body corporate in which such director or such director in association with any other director, holds more than two percent shareholding of that body corporate or is a promoter, manager, Chief Executive Officer of that body corporate; or
  - (ii) 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 in any company, or companies or bodies corporate, firms or other association of individuals which shall include his shareholding at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.



- b. Where any such director who is not 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.
- c. The particulars of all Related Party Transactions and all contracts or arrangements entered into with the approval of the Audit and Compliance Committee / Board of Directors / Shareholders shall be entered in the Register of Contract or Arrangement in which Directors are interested maintained under the provisions of the Companies Act, 2013.

**11. DISCLOSURES BY THE COMPANY :**

The Company shall disclose in the Boards' Report, transactions prescribed in Section 188 (1) of the Companies Act, 2013 with related parties, which are not in the ordinary course of business or on arm's length basis along with justification for entering into such transactions.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standard (IND AS – 24) for annual results and publish the same on its website.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold on a quarterly basis in the Compliance Report on Corporate Governance submitted to the Stock Exchanges under Regulation 27 (2) (a) of SEBI Listing Regulations.

**12. POLICY REVIEW :**

This Policy is framed based on the provisions of the Companies Act, 2013 and the Rules thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018.

In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other law, rule, regulation or standard which makes any of the provisions in this Policy inconsistent with the Act, law, rule, regulation or standard, the provisions of the Act, law, rule, regulation or standard would prevail over the Policy until such time this Policy is modified in due course to make it conform to the law, rule, regulation or standard.

The Policy shall be reviewed by the Audit and Compliance Committee as and when changes are to be incorporated in the Policy due to changes in the regulations or as may be felt appropriate by the Committee. Any changes or modification of the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

**13. DISSEMINATION OF THE POLICY :**

The Company shall disclose the Policy on dealing with Related Party Transactions on its website pursuant to Regulation 46 (2) of SEBI Listing Regulations and the web link of the Policy shall be disclosed in the Board's Report.



**ANNEXURE**

**INDICATIVE LIST OF DOCUMENTS TO BE PLACED BEFORE THE AUDIT AND COMPLIANCE COMMITTEE**

Sr. No.	Type of Related Party Transaction	Relevant Documents
1.	Sale, purchase or supply of any goods or materials	i. copy of purchase order ii. copy of bills / invoices iii. copy of agreement iv. copy of bills / invoices of similar transaction on same date or nearby date with unrelated parties from the seller.
2.	Purchase / sale of property	i. Draft copy of Sale Deed. ii. Brief terms and conditions and justification for such transaction iii. Valuation reports from atleast two independent valuers to ascertain fair market value
3.	Leasing of property	i. copy of lease agreement ii. quotation from a property dealer in the area in which the property is located to ascertain fair rent
4.	Availing or rendering of services	i. Copy of Agreement / MOU ii. Supporting documents justifying the transaction on arms length basis
5.	Loans / Advances given or taken	i. Compliance of Section 179 / 185 / 186 / 188 of the Act and the Rules thereunder. ii. Copies of Agreements iii. Other approvals, where required iv. Rate of interest and justification for the same
6.	Issue of guarantees / providing of securities	i. Compliance of Section 179 / 185 / 186 / 188 of the Act and the Rules thereunder. ii. Copies of Agreements iii. Other documents justifying the same.
7.	Subscription to shares and debentures	i. Valuation report from an independent valuer justifying the issue price or purchase price ii. Copy of share purchase/share subscription agreement
8.	Other transactions	i. Copy of relevant agreement ii. Other supporting documents with proper justification of the transaction being made on arm's length basis in the ordinary course of business at the prevailing market rate.

