

Hikal Limited

Related Party Transactions Policy

1. Introduction :

The Board of Directors (the “Board”) of Hikal Ltd. (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions (‘Related Party Transaction (RPT) Policy’), as per the requirements of Section 188 of Companies Act, 2013 read with Rules made thereunder (hereinafter referred to as ‘The Act’) and Revised Clause 49 of the Listing Agreement on Corporate Governance and subsequent amendments thereto (hereinafter referred to as ‘RC 49’).

The Audit Committee will review and may amend this policy from time to time.

2. Purpose:

Hikal Limited or “the Company” has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

3. 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 Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

4. Definitions:

“Arm’s length transaction (‘ALP’)” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

“Related Party Transaction” (RPT) means –

- for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- for the purpose of RC 49, any transaction involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

5. Materiality Thresholds:

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a special resolution. 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 Clause 49(VII)(C) of the Listing Agreement.

6. Policy on related party transactions:

All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its approval in accordance with this Policy.

The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

6.1 Identification of potential related party transactions

Each director and Key Managerial Personnel is responsible for providing Notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

Procedure for identification of potential related parties

The Company Secretary or the Compliance Officer (as the case may be) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in the Key Definition section above, along with their personal/company details including any revisions therein.

6.2 Approval of Related Party Transactions

6.2.1. Prior approval of Audit Committee

All Related Party Transactions of the Company as prescribed under the Act and RC 49 shall require prior approval of Audit Committee, whether at a meeting or by Resolution by circulation. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions set forth in clause 49 of the Listing Agreement.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

6.2.2. Prior approval of Board of Directors under Companies Act 2013

Transactions with the related parties (as defined under Companies Act 2013) within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arms' Length shall require prior approval of the Board of Directors.

In the above context, where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

6.2.3. Shareholders' approval requirements

Shareholder's approval shall be sought in the following cases as per the requirements of Companies Act 2013:

- Transactions with the related parties (as defined under Companies Act 2013) covered within the scope of Section 188 of the Act; which are either not in the 'Ordinary Course of Business' or are not on an 'arm's Length Basis' and exceeds the threshold under section 188 of the Companies Act 2013 shall also require prior approval of the shareholders through special resolution.

No member of the Company shall vote in a special resolution where a related party contract or arrangement is being considered if such a member is a related party in the context of the contract or arrangement which is being considered.

Shareholder's approval shall be sought in the following cases as per the requirements of RC 49:

- All Material Related Party Transactions covered within the scope of RC 49 shall require approval of the shareholders through special resolution. For this purpose, all entities falling under the definition of related parties (as defined under RC 49) shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

However, the above shall not be applicable to transactions between Hikal Limited and its wholly owned subsidiary whose accounts are consolidated with Hikal Limited and placed before the shareholders at the general meeting for approval.

6.2.4. 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 pertaining to the failure of reporting such related party transaction 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 related party transaction that has been commenced without 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 a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

6.3 Disclosure of Related Party Policy:

This policy shall also be uploaded on the website of the Company at www.hikal.com and a weblink thereto shall be provided in the Annual Report of the Company.