

# **HRB FLORICULTURE LIMITED**

**CIN: L01300RJ1995PLC009541**

Regd. Office: A-28, Ram Nagar, Shastri Nagar, Jaipur, Rajasthan  
Ph. +91-141-2303098, 2303097 (Telefax), Email: hrbflrtd@yahoo.com, Website: www.hrb.co.in

## **REVISED POLICY ON RELATED PARTY TRANSACTIONS**

### **❖ PREAMBLE**

Considering the requirements for related party transactions as prescribed under the Companies Act, 2013 and the rules framed there under, including any modifications, amendments, clarifications or re-enactment thereof ("**the Act**") read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("**the Listing Regulations**") to be effective from **December 1, 2015**, HRB Floriculture Limited ("**the Company**") has formulated revised guidelines for identification of related parties and for proper conduct and documentation of all related party transactions.

In the light of the above, the Company has revised its Policy on Related Party Transactions ("**the Policy**"). The Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company.

### **❖ PURPOSE**

Regulation 23(1) of the Listing Regulations requires a listed company to formulate a policy on materiality of related party transactions and on dealing with related party transactions. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

The Company is required to disclose each year, in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

### **❖ OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out:

- a) the identification of potential related party transactions;
- b) the materiality thresholds for related party transactions; and
- c) the manner of dealing with the transactions between the Company and its related parties based on the provisions of the Act and Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.



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## **❖ DEFINITIONS**

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of the Listing Regulations and the Act.

**"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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

**"Board"** means Board of Directors of the Company.

**"Key Managerial Personnel" (KMP)** means the person(s) appointed as such in pursuance of Section 203 read with Section 2(51) of the Act.

**"Material Related Party Transaction"** as per Regulation 23(1) of the Listing Regulations it means a transaction with a related party under which the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

**"Related Party"** means a related party as defined in Clause (zb) under Regulation 2 sub-regulation (1) of the Listing Regulations which is as follows:

An entity shall be considered related to the Company if:

- I. Such entity is a related party under sub - section 76 of section 2 of the Act; or
- II. Such entity is a related party under the applicable accounting standards.

**"Related Party Transaction"** as per the Listing Regulations, it means a transfer of resources, services or obligations between the Company and a Related Party, 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 the contract and/or as per Section 188 of the Act.

**"Relative"** means relative as defined under the sub-section (77) of section 2 of the Act or any other applicable law or regulation.

## **❖ IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

- Each Director and Key Managerial Personnel shall disclose to the Company Secretary of the Company, its related parties. The Board shall record the disclosure of interest.
- The Company shall identify related party transaction with Directors or Key Managerial Personnel of the Company or their relatives. The Company will also identify the potential transaction with the related parties.



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## **❖ MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

### **➤ Review and Approval of Related Party Transactions**

#### **I. Approval of the Audit Committee**

- a. Every Related Party Transaction which is in ordinary course of business and at arm's length basis shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation.
- b. To review a Related Party Transaction, the Committee will be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transaction and/or prescribed under the Act and the Listing Agreement.
- c. Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

#### **✚ Omnibus Approval by the Audit Committee**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company, subject to the provisions of the Section 188 of the Act and in compliance of the conditions contained in sub-regulation 3 of the Regulation 23 of the Listing Regulations.

#### **II. 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 and at arm's length basis, would be placed before the Board for its approval.

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

- a. 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 threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b. 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; and
- c. Transactions beyond the materiality threshold limit mentioned above in the Policy (10% of annual consolidated turnover), which are intended to be placed before the shareholders for approval.



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### **III. Approval of the Shareholders (Materiality Threshold)**

The Company has fixed its materiality threshold at 10% of the annual consolidated turnover as per last audited financial statements of the Company, which is in line with the limits presently prescribed in the Listing Regulations. Accordingly, 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 the annual consolidated turnover of the Company, based on the last audited financial statements.

All material related party transactions shall require approval of the shareholders through ordinary resolution and the related parties shall abstain from voting on such resolutions 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 in the ordinary course of business and at arm's length basis; and
- b) exceed the threshold limits laid down in Companies (Meetings of Board and its Powers) Rules, 2014, would be placed before the shareholders for their approval.

### **❖ Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

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## ❖ General Principles

1. It shall be responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
2. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions and assure themselves that the same are in the interest of the Company.
3. The Audit Committee shall have following powers with respect to Related Party Transactions:
  - To seek information from any employees
  - To obtain outside legal or other professional advice
  - To secure attendance of outsiders with relevant expertise, if it considers necessary
4. The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

## ❖ Disclosure

The Company shall disclose the policy on dealing with Related Party Transaction on its website and web-link shall be provided in the Annual Report.

## ❖ Amendments

- This Policy is framed based on the provisions of the Act and rules there under and the requirements of the Regulation 23 of the Listing Regulations.
- In case of any subsequent changes in the provisions of the Act, or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.