

Related Party Transactions Policy

Effective Date: 2nd Feb., 2015
Date of first Amendment: 23rd May, 2017
Date of second Amendment: The Board of Directors vide resolution dated 12th March, 2019 amended this Policy w.e.f. 01.04.2019

Governing Guideline: The Companies Act, 2013, the Companies (Meetings of Board and its Powers) Rules, 2014 and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended by SEBI (LODR) (Amendment) Regulations, 2018-("LODR").

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1. Introduction

The Board of Directors of Bhilai Engineering Corporation Limited (the "Company" or "BEC"), at their meeting held on 2nd February, 2015, upon the recommendations of Audit Committee, had initially adopted the following policy and procedures with regard to Related Party Transactions (the "Policy") as defined below. Pursuant to Regulation 23(1) of LODR any amendment/change in the Policy will be made by the Board of Directors. Further, this Policy shall be reviewed by the Board of Directors at least once in every three years and would be updated accordingly.

2. Scope

Related Party Transactions Policy lays down a procedure to ensure that transactions by and between a Related Party (as defined below) and BEC are properly identified and reviewed to ensure that Related Party Transactions (as defined below) are properly approved and disclosed in accordance with applicable law. Such transactions are appropriate only if they are in the best interest of the Company and its stakeholders.

3. **Objective of the Policy**

The objective of 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 Companies Act, 2013 (the "Act"), LODR and any other laws and regulations as may be applicable to the Company.

In terms of requirement of LODR this Policy is framed.

The main purpose of this policy is to ensure that there is no abuse of Related Party Transaction and the same is endeavored to be achieved by timely approvals sought from the appropriate authorities and timely reporting of transactions between the Company and its Related Parties. In order to properly identify, review and disclose Related Party Transactions, the Company will follow the procedures outlined in this Policy in connection with all Related Party Transactions.

4. **Definitions**

- a. **"Arm's Length Transaction"** means a transaction between two Related Parties (as defined under the Companies Act, 2013) that is conducted as if they were unrelated, so that there is no conflict of interest.
- b. **"Audit Committee or Committee"** means Audit Committee of Board of Directors of the Company constituted as per the provisions of LODR and the Companies Act, 2013 and the allied Rules.
- c. **"Board"** means the Board of Directors of the Company.
- d. **"Key Managerial Personnel"** means as defined under Section 2(51) of the Companies Act 2013 and includes:
 - i. Chief Executive Officer or Managing Director, or the manager
 - ii. Company Secretary;
 - iii. a whole-time director
 - iv. Chief Financial Officer
- e. **"Net Worth"** means net worth as defined in Regulation 2(1)(s) of LODR.
- f. **"Ordinary Course of Business"** includes, but not limited to, activities that are necessary, normal, and incidental to the business.
- g. **"Policy"** means Related Party Transactions Policy.

- h. **“Related Party”** means related party as defined in Regulation 2(1)(zb) of LODR.
- i. **“Related Party Transaction”** (RPT) means transactions as defined under Regulation 2(1)(zc) of LODR.
- j. **“Relative”** means relative as defined in Regulation 2(1)(zd) of LODR.
- k. All the other words or terms as used in this Policy carries the same meaning as stated in LODR and if not defined in LODR then in the Companies Act,2013.

5. Materiality thresholds for Related Party Transactions

Sl. No.	Nature of Transaction	Threshold Limits as per the Companies Act,2013	Threshold Limits as per LODR
a)	Sale, purchase or supply of any goods or materials directly or through appointment of agents (or)	Amounting to: ten per cent or more of Turnover of the Company; or Rupees 100 Crore; whichever is Lower, as mentioned in clause (a) and clause (e) of Section 188(1) of the Act.	Transaction with a 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, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.
b)	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents (or)	Amounting to: ten per cent or more of Net worth of the Company; or Rupees 100 Crore; whichever is Lower, as mentioned in clause (b) and clause (e) of Section 188(1) of the Act.	Transaction with a 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, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Sl. No.	Nature of Transaction	Threshold Limits as per the Companies Act,2013	Threshold Limits as per LODR
c)	Leasing of property of any kind (or)	<p>Amounting to: ten per cent or more of the Net worth of the Company;</p> <p>or</p> <p>ten per cent or more of Turnover of the Company;</p> <p>or</p> <p>Rupees 100 Crore; whichever is lower,</p> <p>as mentioned in clause (c) of Section 188(1) of the Act.</p>	Transaction with a 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, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.
d)	Availing or rendering of any services directly or through appointment of agents (or)	<p>Amounting to: ten per cent or more of Turnover of the Company;</p> <p>or</p> <p>Rupees 50 Crore; whichever is lower,</p> <p>as mentioned in clause (d) and clause (e) of Section 188(1) of the Act.</p>	Transaction with a 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, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.
e)	Appointment to any office or place of profit in the company, its subsidiary company or associate company (or)	Monthly Remuneration exceeding Rs. 2.5 lakhs as mentioned in clause (f) of Section 188(1) of the Act.	Transaction with a 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, exceeds ten percent of the annual consolidated turnover of

Sl. No.	Nature of Transaction	Threshold Limits as per the Companies Act,2013	Threshold Limits as per LODR
			the company as per the last audited financial statements of the company.
f)	Remuneration for underwriting the subscription of any securities or derivatives	Exceeding 1% of Net worth as mentioned in clause (g) of Section 188(1) of the Act.	Transaction with a 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, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Explanation: It is hereby clarified that the limits specified in point (a) to (d) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

6. Identification of Potential Related Party

All Related Parties of the Company shall be identified on the basis of the disclosures received from the Directors and Key Managerial Personnel of the Company. The names of all Related Parties shall be consolidated as a Related Party reference list and this list be amended from time to time and shall be progressively shared with the concerned departments and functional heads.

The accounts department will tag the Related Party in the reporting system to generate periodic reports of RPTs recorded in the system.

7. Approval of Related Party Transactions

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

Transaction with Related Party

The procedure for obtaining approval for transactions with Related Party would be as under:

I. Transaction with Related Party as per Section 188 of the Companies Act,2013:

a) Approval of Audit Committee-All transactions with Related Party shall require prior approval of Audit Committee.

However, Audit Committee may grant Omnibus Approval for transactions subject to compliance of para 8 of this Policy.

In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transactions shall be voidable at the option of the Audit Committee and if the transaction is with the 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.

b) Approval of Board of Directors- All Related Party Transactions falling under Section 188(1) shall require prior approval of Board of Directors.

The following information shall be placed before the Board of Directors for their consideration at their Meeting:

- i. The name of the Related Party and nature of relationship;
- ii. The nature, duration of the contract and particulars of the contract or arrangement;
- iii. The material terms of the contract or arrangement including the value, if any;
- iv. Any advance paid or received for the contract or arrangement, if any;
- v. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- vii. Any other information relevant or important for the Board to take a decision on the proposed transaction.

Further, 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.

Exception

However, where any transaction is entered into by the Company in its Ordinary Course of Business and on an Arm's Length Basis then there will be no requirement of Board's approval.

c) Approval of Shareholders: No contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as mentioned in serial no. (a) to (f) of the table in para 5 of this Policy, shall be entered into except with the prior approval of the Company by a resolution.

The explanatory statement to be annexed to the notice of a general meeting at which the resolution is proposed to be passed shall disclose the following:

- I. Name of the Related Party;
- II. Name of the Director or Key Managerial Personnel who is related, if any;
- III. Nature of relationship;
- IV. Nature, material terms, monetary value and particulars of the contract or arrangements; and
- V. Any other information relevant or important for the members to take a decision on the proposed resolution.

Further, no member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a Related Party. However, such restriction shall not apply where ninety per cent or more members, in number, are relatives of promoters or are Related Parties.

Where any contract or arrangement is entered into by a director or any other employee, without approval by a resolution in the general meeting and if it is not ratified by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the shareholders and if the contract or arrangement is with a Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

Exception

The requirement of passing the resolution shall not be applicable in the following cases:

- *Where any transactions entered into by the Company in its Ordinary Course of Business and on an Arm's Length Basis.*
- *Where transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding*

company and placed before the shareholders at the general meeting for approval.

- *Where any contracts or arrangements entered into by the Company with any other Government company.*

II. Transaction with Related Party other than under Section 188 of the Companies Act, 2013:

- a) Approval of Audit Committee-** All transactions with Related Party shall require prior approval of Audit Committee.

However, Audit Committee may grant Omnibus Approval for transactions subject to compliance of para 8 of this Policy.

In case the Audit Committee does not approve transaction with Related Party, it shall make its recommendations to the Board.

In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transactions shall be voidable at the option of the Audit Committee and if the transaction is with the 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.

Further, approval of Audit Committee shall not be required for transactions between holding company and its wholly owned subsidiary company.

- b) Review by Board of Directors:** All the transaction with Related Party other than Section 188 of the Companies Act, 2013 shall be reviewed by the Board of Directors on quarterly basis.
- c) Approval of Shareholders:** All material Related Party Transactions shall require approval of shareholders through a resolution and no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

A transaction with a Related Party shall be considered material if the transaction(s) 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.

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 two percent of the annual

consolidated turnover of the Company as per the last audited financial statements of the Company.

Exception:

The requirement of passing the resolutions shall not be applicable in the following cases:

- *Transactions entered into between two government companies;*
- *Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.*

8. Omnibus Approval

The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-

- a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- b) the maximum value per transaction which can be allowed;
- c) extent and manner of disclosure to be made to the Audit Committee at the time of seeking omnibus approval;
- d) review at such interval being at least once in a quarter of the Related Party Transaction entered into by the Company pursuant to each of the omnibus approval made;
- e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

- a) repetitiveness of the transactions (in past or in future);
- b) justification for the need of omnibus approval.

The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.

The omnibus approval shall contain or indicate the following: -

- i. name of the Related Parties;
- ii. nature and duration of the transaction;
- iii. maximum amount of transaction that can be entered into;
- iv. the indicative base price or current contracted price and the formula for variation in the price, if any; and
- v. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Further, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

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.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

9. Disclosure with respect to Related Party

- a. Details of material individual transactions with Related Parties or others, which are not on an arm's length basis should be placed before the audit committee, together with Management's justification for the same.
- b. Details of all material transactions with Related Parties shall be disclosed quarterly along with the compliance report on corporate governance.
- c. The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.
- d. The Company is required to disclose each year in the Board's Report certain transactions between the Company and Related Parties along with the justification to enter into such contract or agreement with Related Parties.
- e. The Company shall submit within 30 days from the date of publication of the half yearly standalone and consolidated financial results, disclosures of Related Party Transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

This Policy will be communicated to all concerned person.