



Bharat Gears Limited

**Related Party Transactions Policy
(Effective from 1st October, 2014)**

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A. Introduction:

Bharat Gears Limited (the “Company” or “BGL”) and its subsidiary companies (Indian and foreign) and its associate companies (“the Group”) would, in ordinary course of business, enter into transactions with a related party or parties.

The Board of Directors (“the Board”) of BGL has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

B. Objectives:

The Board of Directors (“the Board”) of BGL recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest or the perception thereof. Therefore, the Board has adopted Related Party Transactions Policy (this “Policy”) to set forth the procedures under which transactions with Related Parties shall be reviewed for approval or ratification in accordance with the procedures set forth below.

This Policy is designed to ensure the related party transactions (“RPTs”) are carried out in the ordinary course of business of BGL and are at arm’s length.

This policy also aims to comply with the provisions of the Companies Act 2013 and rules framed there under and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“ the Regulations”).

No Related Party Transaction may be entered into by the Company, or any of its subsidiaries or associates, except in accordance with the provisions of this Policy.

The policy is based on the provisions of section 188 of the Act and under Regulation 23 of the Regulations. If there is any modification in the provisions of section 188 of the Act and Regulation 23 of the Regulations or if there is any notification or circular or any clarification issued by Ministry of Corporate Affairs or SEBI relating to the section 188 of the Act and/or Regulation 23 of the Regulations, in such case the Company would be required to revise the policy appropriately.

C. Definitions:

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

1 Definitions under Companies Act, 2013

• Related Party

Section 2(76) of the Companies Act, 2013 defines Related Party as follows:

“Related party”, with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) Any company which is—

- (A) a holding, subsidiary or an associate company of such company; or
- (B) a subsidiary of a holding company to which it is also a subsidiary;

(ix) such other person as may be prescribed [For the purposes of this sub-clause (ix) of clause (76) of Section 2 of the Act, a director, other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party]

• Relative

Companies Act, 2013 [Section 2(77)]

As per the Provisions of Section 2(77) of the Companies Act, 2013 “Relative” means:

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed;

Companies (Specification of definitions details) Rules, 2014

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014 a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (1) Member of the Hindu Undivided Family
- (2) Spouse
- (3) Father (including step-father)
- (4) Mother (including step-mother)
- (5) Son (including step-son)
- (6) Son's wife
- (7) Daughter
- (8) Daughter's husband
- (9) Brother (including step-brother)
- (10) Sister (including step-sister)

- **Holding Company**

As per the Provisions of Section 2(46) of the Companies Act, 2013 "Holding Company", means a company of which such companies are subsidiary companies.

- **Subsidiary Company**

As per the Provisions of Section 2(87) of the Companies Act, 2013 "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company –

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation — for the purposes of this clause,—

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression "company" includes any body corporate;

(d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

- **Associate Company**

As per the Provisions of Section 2(6) of the Companies Act, 2013 “associate company”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

For the purpose of this clause ‘Significant influence’ means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

2 Definitions under the Regulations

- **Related party**

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

- **Material Related Party Transactions as defined under the Regulations**

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.

3 Related Party Transactions (“RPTs”)

As per the Regulations, Related Party Transaction means a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Related party transactions as defined under Section 188 of the Companies Act, 2013 are as follows:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

- Underwriting the subscription of any securities or derivatives thereof, of the company.

D. Policy and Procedures

The policy and procedures that would be followed in relation to Related Party Transaction are given in paragraphs below:

1. Identification of Related Parties

In order to ensure that all related parties as defined in the Companies Act, 2013 and as defined in the Regulations are duly identified, BGL would undertake the following process with responsibilities assigned to personnel of BGL as under:

Sr. No.	Tasks	Responsibility
1.	Declaration by each Director and KMP <ul style="list-style-type: none"> • Public / Private Companies / entities in which each Director / KMP is interested • Details of relatives of each Director / KMP 	Each Director / KMP and Company Secretary
2.	Declaration of whether the manager or any director of the company is accustomed to act in accordance with the advice directions or instruction of any person (given otherwise than in a professional capacity) and if yes particular of such person(s).	Each Director and Company Secretary
3.	Declaration regarding whether any company is <ul style="list-style-type: none"> • a holding, subsidiary or an associate company (including a joint venture company) of the company; or • a subsidiary the company's holding company If yes, particulars of relevant companies to be provided.	Company Secretary/CFO
4.	Prepare a master list of Related Parties on the basis of aforesaid information. The aforesaid list would be circulated to CEO/ COO/ CFO/ Legal Head, Business Heads, the Finance & Accounts Department and Corporate Internal Audit team for their review and confirmation.	Company Secretary
5.	Inform the Company Secretary and CFO of any changes in related parties within 7 working days of such changes. The Company Secretary to update the master list of related parties.	Directors/KMPs
6	Circulate an individual list of related parties of Directors/ KMPs on a quarterly basis and get a confirmation of any changes and update the master list.	Company Secretary

2. Identification of Related Party Transactions

Each Director and Key Managerial Personnel would be responsible for providing notice to the Company of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Company may reasonably request.

The Directors and KMPs will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

BGL would collate list of transactions / contracts / arrangements likely to be entered into with each related party (as identified above) and estimated value of such transactions before the beginning of each financial year and obtain necessary approvals in accordance with this Policy.

3. Review and Approval of Related Party Transactions

Review of Related Party Transactions

The Audit Committee of the Board will review and, if appropriate, approve Related Party Transactions. Accordingly, at first meeting of the Audit Committee in every financial year, management shall present to the Committee the following information with respect to all Related Party Transactions expected to be entered into during that financial year:

- the name of the related party and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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
- any other information relevant or important for the Board to take a decision on the proposed transaction.

After reviewing such information, the members of the Audit Committee (without the participation the Committee member(s) interested in the transaction, if any) shall approve or disapprove such transactions. Approval of such transactions shall be given only if it is determined by the Audit Committee that such transactions are:

- (a) in (or not inconsistent with) the best interests of the Company and its shareholders;
- (b) to be entered into by the Company (or its subsidiary or associate entity) on terms that are comparable to those that would be obtained in arm's length transactions with unrelated third parties;

- (c) In the ordinary course of the business of the Company. (“Ordinary course of business for this purpose will cover the businesses of BGL group and usual transactions, customs and practices of a business and would include activities to be carried out incidental or to facilitate the business of BGL group and is usual or customary to the Company and/ or its line of business);
- (d) such that there are compelling business reasons and commercial considerations for BGL to enter into related party transaction and is in the circumstances the best of the various alternatives available.

No member of the Audit Committee shall participate in the review, consideration or approval of any Related Party Transaction with respect to which such member or any of his or her relative is a Related Party.

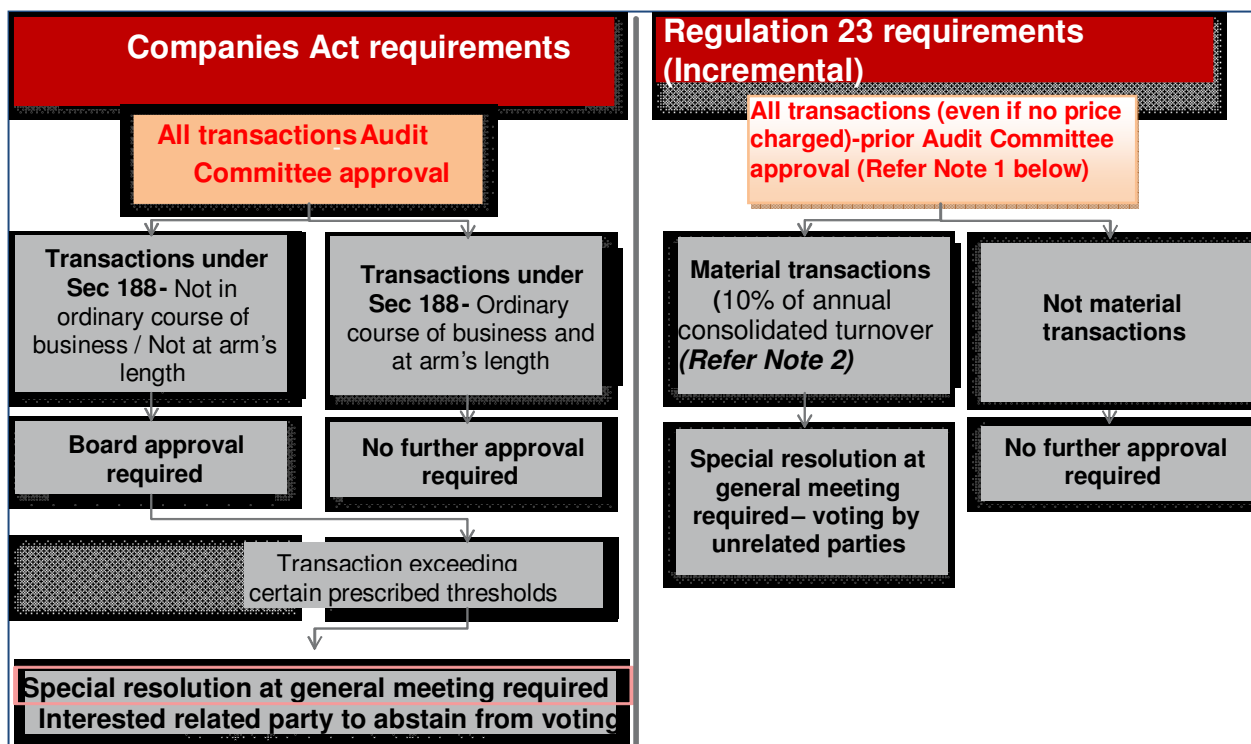
If any material information with respect to such transactions shall change subsequent to the Audit Committee’s review of such transactions, management shall provide the Audit Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Audit Committee.

If any additional Related Party Transactions are proposed to be entered into subsequent to the Audit Committee’s first meeting in the financial year, management shall present such transactions to the Audit Committee for approval before entering into such transaction (which can be taken by calling a meeting or by resolution passed through circulation).

All the Directors are required to declare and disclose his concerns or interests in any company or companies or bodies corporate at the first Board meeting in every financial year and subsequently whenever there is any change in disclosures. In addition, the Directors have to give an undertaking that all business transactions entered into between the BGL and themselves comply with the terms of this Policy.

Approvals of Related Party Transactions

The approval process as required under the Companies Act, 2013 (updated to reflect subsequent clarifications issued by the Ministry of Corporate Affairs) and under the Regulations has been diagrammatically explained in the flow chart given below:



Note 1: Omnibus Approval by Audit Committee

All Related Party Transactions would require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee would lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are **repetitive in nature**;
- b. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of 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 Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Note 2: Exemption from shareholder approval

All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

However following transactions shall be exempt from the aforesaid approval requirement:

- (i) transactions entered into between two government companies;
- (ii) 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.

All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Taking into consideration the above provisions of the Regulations and Companies Act, 2013 Company would take relevant approvals of related party transactions as appropriate and required under the above regulations.

4. Monitoring Related Parties and Related Party Transactions

Once the list of transactions/contracts/arrangements are approved by the Audit Committee, BGL would implement controls to ensure that:

- Transactions with related parties do not exceed the limits approved by the Audit Committee.
- No contracts/arrangements/transactions are entered into with new related parties with whom, transactions are not approved by the Audit Committee

Transaction with related parties of BGL can primarily be initiated through the following channels:

- Legal contracts (for expenses and income based transactions)
- Purchase order (for expense based transactions)
- Customer Order Forms

The listing of all related parties along with the listing of transactions approved by the Audit Committee would be retained by the legal/secretarial team. The legal/secretarial team, while approving the contract, would ensure that the contract, if being entered into with any related party, is duly approved by the Audit Committee.

In case any contract/arrangement is proposed to be entered into with a related party but not included in the Audit Committee approved list, the legal team and/or the finance team would evaluate the transaction (based on guidelines in this policy) to determine the approvals required as per this policy.

For obtaining approval for additional transactions, BGL's legal/secretarial team would obtain approval from Audit Committee through a circular resolution.

The Company would present at every Audit Committee meeting, a comparative statement showing the total amount of transactions approved and total amount of transactions incurred till the date of the Audit Committee (or a cut-off date taken few days prior to the Audit Committee date). This will also facilitate Company to seek approval of incremental amounts for transactions, if required.

5. Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

6. Disclosure

- Every Related Party Transaction with proper justification shall be disclosed in the Board's Report.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

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

7. Amendment

Initially approved by Board of directors on 26th December, 2014 and further amended on 24th May, 2016 with respect to applicability of the Regulations.

For **Bharat Gears Limited**

Sd/-
Surinder P. Kanwar
(Chairman & Managing Director)