

# **Bharat Nirman Limited**

(CIN No: U45209TG2011PLC073659)

## **◀ Related Party Transactions Policy ▶**

The Company recognizes that Related Party Transactions as defined in section 2(76) of the Companies Act, 2013 (“the Act”) read with Section 188 may give rise to an actual or potential conflict of interest thereby raising the question whether or not such transactions are in the best interests of the Company and its members as a whole.

The “Audit Committee” of the Board of Directors of the Company (“the Board”) is required to approve all transactions of the Company with Related Party Transactions (“RPT’s”).

### **As per Accounting Standard 18 (“AS18”) “Related Parties” are:-**

1. Enterprises that directly, or indirectly through one or more intermediaries control, or are controlled by, or are under common control with, the Company (including its holding company, subsidiaries and fellow subsidiaries).
2. Associate company of the Company and joint ventures of the Company and the investing party or venture in respect of which the Company is an associate or a joint venture.
3. Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company, and relatives of any such individual.
4. Key management personnel and their relatives.
5. And, enterprises over which any person described in 3) or 4) above are able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.

### **For purposes of the above meaning of ‘Related Parties’ as per AS18:**

1. A subsidiary company shall mean a company in which the Holding Company holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital; or of which the Holding Company controls, either by itself and/or through one or more subsidiaries, the composition of its board of directors.

2. The Company will be considered to control the composition of the Board, if it has the power, without the consent or concurrence of any other person, to appoint or remove all or a majority of directors of the Company. The Company will be deemed to have the power to appoint a director if any of the following conditions is satisfied:
  - a. A person cannot be appointed as director without the exercise in his favor by the Company of such a power as aforesaid; or
  - b. A person's appointment as director follows necessarily from his appointment to a position held by him in the Company; or
  - c. The director is nominated by the Company or its subsidiary;
  
3. The Company will be considered to control the governing body of an enterprise that is not a company, if it has the power, without the consent or the concurrence of any other person, to appoint or remove all or a majority of members of the governing body of that other enterprise. An enterprise is deemed to have the power to appoint a member if any of the following conditions is satisfied:
  - a. A person cannot be appointed as member of the governing body without the exercise in his favor by that other enterprise of such a power as aforesaid; or
  - b. A person's appointment as member of the governing body follows necessarily from his appointment to a position held by him in that other enterprise; or
  - c. The member of the governing body is nominated by that other enterprise;
  

'Control' shall mean, the ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise. An enterprise/individual is considered to have a substantial interest in another enterprise if that enterprise/individual owns, directly or indirectly, 20% (twenty percent) or more interest in the voting power of the other enterprise.

  
4. The term 'Significant Influence' shall mean the participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.
  
5. The term 'Associate Company' shall mean one in which the Company will have significant influence and which is neither a subsidiary nor a joint venture of the Company.

6. The term 'Relative' shall mean, in relation to an individual, the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the Company.

A transaction between the Company and a Related Party is to be considered as **Material** if the transaction 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 its last audited financial statements.

**All RPT's, whether material or not, will however require the prior approval of the Audit Committee of the Board.**

**However**, in order to obviate difficulties that may be encountered by the Company in obtaining prior approval of the Audit Committee to RPT's that are needed to be entered into by it from time to time, owing, inter alia, to the repetitive nature of transactions to be entered into or when the need for RPT's cannot be foreseen in advance, the Audit Committee has been empowered as above to grant **Omnibus Approval** for such RPT's, subject to the following conditions:

1. The criteria for granting such **Omnibus Approval** is laid down by the Audit Committee in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
2. The Audit Committee has satisfied itself as to the need for such **Omnibus Approval** and that grant of such approval is in the interest of the Company.
3. The **Omnibus Approval** given by the Audit Committee shall specify the following:
  - a) The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - b) The indicative base price/current contracted price and the formula for variation in the price, if any; and
  - c) Such other conditions as the Audit Committee may deem fit;

**However** where the need for an RPT cannot be foreseen and the details in (a), and (c) above are not available, the Audit Committee is empowered as above to grant **Omnibus Approval** for such transactions subject to their value not exceeding Rs.1 Crore per transaction.

4. The Audit Committee is required to review, at least on a quarterly basis, the details of RPT's entered into by the Company pursuant to each **Omnibus Approval** given.

5. All such **Omnibus Approvals** shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

Where the Audit Committee has satisfied itself as to the need for granting an **Omnibus Approval** and that grant of such **Omnibus Approval** would be in the interest of the Company, such **Omnibus Approval** may hence be of two types, namely:

1. An **Omnibus Approval** specifying the name of the related parties, the nature, period and the maximum amount of the transaction that can be entered into, the indicative base price/current contracted price and the formula for variation in price, if any and such other conditions as the Audit Committee may deem fit.

(OR)

2. An **Omnibus Approval** for RPT's subject to their value not exceeding Rs.1 Core per transaction, where the need for the RPT cannot be foreseen and the details mentioned in (A) above are not available.

### **Criteria to be Considered by Audit Committee for Granting Approval to an RPT**

1. The rationale and necessity for entering into such an RPT.
2. Whether any compelling business or commercial reasons or justification exist for the Company to enter into the RPT and the availability, if any, of similar transactions between the Company and unrelated counterparties or between two unrelated parties about the same time.
3. Whether the terms and provisions of the RPT, viewed in their totality, are fair and the transaction is at arm's length, that is to say, whether it is similar to a transaction conducted as if between two unrelated parties, so that there is no conflict of interest.
4. Whether any special or unusual benefits, rights or privileges are extended or given to the related party by the Company which would normally not feature in a similar transaction, were it to be entered into by the Company with an unrelated party or between two unrelated parties.
5. Whether the consideration/compensation to be paid to the related party under or pursuant to the transaction is, or can be regarded as being, commensurate with the obligations undertaken by such related party, and/or the scope of services provided by it there under.
6. Whether the transaction is unreasonably or unfairly weighted in favor of the related party vis-a-vis of price, terms of credit and payment, interest payable or in any other manner or gives rise, or is likely to give rise, to any conflict of interest.
7. Whether the RPT will or is likely to, affect the independence of judgment of any of the independent Directors on the Board.
8. Whether the RPT is likely to give rise in any manner to a conflict of interest and duty for any Director or Key Managerial Personnel of the Company.

9. Whether the RPT would or is likely to give rise to any potential reputational risk for the Company and/or its Directors.
10. Any other aspects or factors that may be relevant or material in the opinion of the Committee.

**All material RPTs, (whether or not they are entered into by the Company in the ordinary course of its business and are also arms length transaction) shall also require the approval of the shareholders of the Company in general meeting by a special resolution, and the related parties shall abstain from voting on such special resolution irrespective of whether they are a party to the particular transaction or not.**

The **Explanatory Statement** annexed to the Notice issued by the Company convening the general meeting for seeking approval of its Shareholders to a **material RPT** as aforesaid shall contain the following details, namely:

1. Name of the Related Party;
2. Name of Director or his relatives or Key Management Personnel or his relatives;
3. Nature of the relationship;
4. Material terms, monetary value and particulars of contract or arrangement;
5. Other relevant or important information which would help the shareholders to take a decision;

The aforesaid requirement that all RPT's shall require prior approval of the Audit Committee and that all **material RPT's** shall also require the approval of the shareholders of the Company in general meeting by a special resolution, will however **NOT** apply to transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders for approval at the general meeting.

The Audit Committee of the Board of Directors of a Limited Company is required to approve transactions of the Company with related parties and any subsequent modifications thereto. The criteria to be considered by the Audit Committee for granting approval to an RPT would be the same as set out in Part-I of the Policy.

A 'Related Party' has been defined in section 2(76) of the Act. The definition of related party in section 2(76) has been set out in extensor in Part-I of the policy.

Some of the other key terms used in the definition of 'related party' in section 2(76) are defined for convenient reference in the attached **Annexure**.

## ANNEXURE

### Definitions:

#### **i. Relative – Section 2(76)**

Relative has been defined to mean anyone who is related to another, if:

- They are members of a Hindu Undivided Family
- They are husband and wife
- Father including stepfather
- Mother including stepmother
- Son including stepson
- Son's wife including stepson's wife
- Daughter including stepdaughter
- Daughter's husband including stepdaughter's husband
- Brother including stepbrother
- Sister including stepsister

#### **ii. Key Managerial Personnel – Section 2(51) In relation to a Company, means**

- The Chairman, or the Managing Director, or the CEO
- The Company Secretary
- The Wholetime Director, or the Director, or the Independent Director, or the Nominated Director
- The CFO; and
- Such other officer as may be prescribed

#### **iii. Manager – Section 2(53)**

An individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

#### **iv. Holding Company – Section 2(46)**

In relation to one or more other companies, means a company of which such companies are subsidiary companies.

#### **v. Subsidiary Company or Subsidiary – Section 2(87)**

In relation to any other company, that is to say, the Holding company, means a company in which the holding company:

- Controls the composition of the Board of Directors; or
- Exercises or controls more than one-half of the Total Share Capital
  - a) either at its own; or
  - b) together with one or more of its subsidiary companies

**Explanation:**

- A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (a) or sub-clause (b) is of another subsidiary company of the holding company;
- 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;
- The expression "company" includes anybody corporate;

**vi. Associate Company – Section 2(6)**

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.

Explanation: For the purposes of this clause, "significant influence" means control of at least 20% of the total share capital, or of business decisions under an agreement.

**vii. Control – Section 2(27)**

"Control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.



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**Effective Date:**

This Policy shall be in force and effective on and from 01<sup>st</sup> July, 2011.