

Bimetal Bearings Limited

Policy on Related Party Transactions (Revised)

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Preamble

The Board of Directors (the “Board”) of **Bimetal Bearings Limited** (the “Company”) has adopted the Policy on **Related Party Transactions** (the “Policy”) on **11th February 2022** to be made **effective on the same day** upon the recommendation by the Audit Committee in compliance with Section 188 of the Companies Act, 2013 (the Act) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (LODR) and its subsequent amendments (brought in from time to time), to the applicable provisions shall be considered by the Board based on the recommendation of the Audit Committee.

Objective:

The objective of this policy is to guide the Board of Directors of the Company and the management that manages the day-to-day affairs of the Company in following certain norms and principles as set out in this policy while proposing to enter into transactions with the related parties. This policy also sets out the factors that are required to be considered by the Audit Committee and / or the Board of Directors wherever required prior to entering into transactions with related parties. This policy also sets out the criteria for determining materiality in relation to related party transactions and also material modification. This policy aims to bring to the fore the governance aspects relating to related party transactions and also places emphasis on the governance structures that have a responsible role in relation to related party transactions. The policy aims to state that compliance of applicable provisions of law is the minimum expected norm and the members of the Board and Senior Management must be sensitised about the same.

This Policy shall be reviewed once in three years by the Board of Directors of the Company.

Terms:

“**Material modification**” shall mean and include any modification(s) to any subsisting contract or arrangement with a Related Party where parties to the followings contracts or arrangements agree to vary its terms in any respect whatsoever as a result of which there is:-

- (a) either upward or downward movement of the price(s) already agreed or agreed quantities of purchase / sale contemplated as per the existing standard commercial practices adopted by the Company which is subject to stringent internal controls and regularly checked / audited by the Internal Auditors of the Company and the said internal audit report(s) / findings (if any) are placed before the subsequent meeting of the Audit Committee.
- (b) in case of all other contracts / arrangements with related parties, any modification in the agreed terms resulting in an increase of 20% over the existing limit as sanctioned by the Audit Committee or Shareholders, as the case may be.

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“**Related Party**” is a person if such person is related to a Company in any one or more of the following ways:

- (a) such person is a Related Party under Section 2(76) of the Act; or
- (b) such person is a Related Party under the applicable Accounting Standards; and includes
- (c) any person forming a part of the promoter or promoter group of the listed entity; or any person, holding equity shares of 20% (twenty per cent) or more in the Company or 10% (ten percent) or more, with effect from April 1, 2023 directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediately preceding financial year.

“**Related Party Transaction**” means a transfer of resources, services or obligations between a listed entity 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 a contract) and includes –

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for the purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company;
- g) underwriting the subscription of any securities or derivatives thereof, of the Company;

It shall include a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; **and**
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, **with effect from April 1, 2023;**

Provided that the following shall not be a Related Party Transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance with the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;

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- (b) the following corporate actions by the listed entity which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
- (i) Payment of dividend;
 - (ii) Sub-division or consolidation of securities;
 - (iii) Issuance of securities by way of a rights issue or a bonus issue; and
 - (iv) Buy-back of securities.

“Relative” shall have the meaning ascribed to it under the Act.

The terms and expressions such as “arm’s length basis”, “audit committee”, “board of directors”, “financial statement”, “materiality”, “omnibus approval”, “ordinary course of business” and “undertaking”, shall be construed in accordance with the applicable legal provisions and in the widest possible meaning thereto unless the Act or Regulations or Accounting Standards or Secretarial Standards define any such expression differently.

Structure and Management:

The Board of Directors is responsible for designing the structure relating to Related Party Transactions including the review period as stipulated as per the applicable laws and as required in terms of the concerned regulatory requirements. The responsibility includes having systems to provide timely information from various sources, ensuring compliances and complying with the statutory obligations. A proper structure to identify related parties and transactions entered into or proposed to be entered into by the Company with related parties taking into account the regulatory amendments in identifying related parties and Related Party Transactions from time to time.

Ordinary Course and Arms’ Length Transaction:

Every transaction entered into for the purpose of business of the Company shall be deemed to be in the ordinary course of business of the Company. Further it is the primary responsibility of the management to determine whether the proposed transaction(s) is or are on arm’s length basis. Parameters for determination need not necessarily be price alone. In trade and commerce, price goes directly proportional to size of supply, period of credit and quality of goods and such other technological or intangible parameters.

Where there are no comparative quotes for any particular type of goods or service, whether procured from India or outside India, the transaction shall be deemed to be on arm’s length basis only. Such determination shall be made as on the date of entering into the transaction documentation or placement of indent or order. (In order to enter into contract with any party, the Company should ensure that it gets fully benefitted from every commercial angle without comprising on quality issues at any time. This requirement should be strictly implemented as the Company is placed with a very competitive business environment and adaption to technology changes drive the survival and growth of the Company).

Material Related Party Transactions and approval of Members of the Company:

The Company shall not enter into any contract or arrangement with any related party(ies) or enter into any Related Party Transaction without the prior approval of the Audit Committee, if the contract or arrangement or transaction is found to be material in nature. In other words, prior to entering into any contract or arrangement with a related party(ies) or a transaction with a related party which is material, it is mandatory for the management to secure the prior approval of the Audit Committee and the shareholders of the Company.

A transaction with a related party is considered to be material (where such transactions are at arm's length basis and are in the ordinary course of business) if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, **exceeds 10% (ten percent)** of the **annual consolidated turnover** the Company as per the **latest audited financial statements of the Company**.

Where if transaction(s) with a related party is **not** either on arm's length basis or not in the ordinary course of business or both and falls within any one or more of the following criteria, then such transactions will require prior approval of the Audit Committee, the Board of Directors and also from the shareholders of the Company as detailed herein:

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% (ten percent) or more of the turnover of the Company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of Section 188 of the Companies Act, 2013;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% (ten percent) or more of the net worth of the Company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of Section 188 of the Companies Act, 2013;
- (iii) leasing of property of any kind amounting to 10% (ten percent) or more of the turnover of the Company, as mentioned in clause (c) of sub-section (1) of Section 188 of the Companies Act, 2013;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to 10% (ten percent) or more of the turnover of the Company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of Section 188 of the Companies Act, 2013;
- (v) is for appointment to any office / place of profit in the Company, its subsidiary company / associate company at a monthly remuneration exceeding the limits mentioned in clause (f) of sub-section (1) of Section 188 of the Companies Act, 2013;
- (vi) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of Sec. 188 of the Companies Act, 2013;

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The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

In all cases, where shareholders' approval is necessary for any Related Party Transaction(s), the explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars, namely:-

- a. Name of the related party;
- b. Name of the director or key managerial personnel who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value, particulars of the arrangement etc.,
- e. Any other information relevant or important for the members to take a decision on the proposed resolution.

The approval of shareholders of the Company is not applicable for 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 of the holding company for approval.

In case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

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.

Where the Related Party Transaction is material, no related party shall be entitled to vote on such resolution(s), whether the abstaining related party is the related party to the particular transaction placed for approval of shareholders or not.

Determination of Related Party Transactions:

The following factors to be considered in relation to every Related Party Transactions:

- i. Compilation of Names and Particulars of Related Parties;
- ii. Identifying the routinely happening Related Party Transactions and taking measures to study terms thereof and getting omnibus approval of the Audit Committee, if necessary;
- iii. Determining whether the Related Party Transaction is in the ordinary course of business and on arm's length basis;
- iv. Determining materiality of the Related Party Transaction and its criticality and exigencies;
- v. Determining the approval requirements such as the approval of the Audit Committee, Board of Directors and Shareholders and taking steps to procure such approvals;

- vi. Determining disclosure requirements and recording disclosures made in the minutes of meetings and registers and records;
- vii. Determining the material modifications to the existing Related Party Transactions approved and the need for approval of Audit Committee.
- viii. Taking note of the changes as brought out by the applicable legal provisions (from time to time) governing the Related Party Transactions and taking the necessary actions as may be required to meet those changes and bring changes to this policy document (if found necessary) at the earliest opportunity.

Prior approval of Related Party Transactions:

- i. Every Related Party Transactions and subsequent material modifications require prior approval of the Audit Committee consisting of only Independent Directors. Omnibus approval is subject to compliance with the conditions specified in regulation 23 of SEBI (LODR) Regulations read with Rule 6A of the Companies (Meeting of Board and its Powers) Rules, 2014;
- ii. Any contract or arrangement or transaction is **not** in Ordinary Course of Business or not on arms' length basis regardless of the materiality threshold specified under the Companies Act, 2013 or the LODR Regulations or transactions meeting the materiality threshold or materially Related Party Transactions or Related Party Transactions that are beyond the thresholds prescribed under Section 188 of the Act read with Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014, prior to entering into any contract or arrangement, it is mandatory for the management to secure the approval of the Audit Committee and also the Board of Directors and also shareholders wherever required. *Where no such approvals could be obtained in advance in view of exigencies, such approvals shall be obtained at the earliest opportunity and in any case within 3 (three) months of entering into such contract or arrangement or transaction.*

Compliances:

The Company Secretary shall be primarily responsible for the management of compliances as stipulated under the various applicable legal provisions and he / she shall ensure that the compliance requirements are fully met / adhered to on time to the satisfaction of all the concerned. If he / she has any concerns, he or she shall escalate the matter to higher echelons and seek professional assistance if advised.

Disclosure of Interests:

It shall be the duty of every director to disclose the nature of his interests and concerns on every Related Party Transaction when it comes up before the Board of Directors. The Director who is interested in any Related Party Transaction shall after disclosure of his interest, abstain from participating in the proceedings of the meeting of the Board without prejudice to the right of such Director to participate in other items of the agenda provided he does not face conflict of interest with reference to that subject.

Omnibus approval of the Audit Committee for Related Party Transactions:

In the case of Related Party Transactions of repetitive nature, the Audit Committee may grant omnibus approval for Related Party Transactions, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following factors, which shall be subject to changes, if any, in the applicable law from time to time:

- a) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year (in specific cases, the maximum value per transaction which can be allowed).
- b) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.
- c) Review at regular intervals, the related party transaction entered into by the Company pursuant to each of the omnibus approval made.
- d) Transactions which cannot be subject to the omnibus approval category.
- e) Repetitiveness of the transactions (in the past / future):- It should be ensured that such repetitive transactions need to be carried out keeping mind the interests of the Company.
- f) Justification for the need for omnibus approval.
- g) Should be satisfied that such transactions are in the best interests of the Company.
- h) Prior to granting omnibus approval, the Audit Committee shall make sure that the following information and particulars are presented to it:
 - a) Name of the related parties;
 - b) Nature and duration of the transaction;
 - c) Maximum amount of transaction that can be entered into;
 - d) The indicative base price or current contracted price and the formula for variation in the price, if any; and
 - e) Any other information relevant for the Audit Committee to take a decision on the proposed transactions;

Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the **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. ***No omnibus approval shall be granted for transactions involving the selling or disposing of the whole or substantially the whole of any undertaking of the Company.*** For the purpose of granting omnibus approval, the Audit Committee is at liberty to stipulate such further conditions as it may deem fit in line with this Policy.

The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. The grant of omnibus approval is not applicable for the 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.

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Disclosures in Financial Statements:

All material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance. The Board of Directors shall be collectively responsible for disclosure of all the particulars in accordance with the applicable legal provisions in the Financial Statements including the Board's Report referred to in Section 134 of the Act.

Website: This policy shall be hosted on the website of the Company with a specific disclosure of date of approval of the policy by the Board of Directors and date of approval by the Board of Directors of every change thereto.

Annual review of Related Party Transactions: The Audit Committee shall carry out a review (once in a financial year) the Related Party Transactions entered into by the Company to overcome any concerns / issues (if any) and also to find out if there are better sources available for procuring / selling goods or services that form the subject matter of such transactions on competitive terms. The review shall include a review of innovations in the relevant field and also to see any outdated / environmentally polluting technology / substances are being used by related parties and also to find out ways and means to wind up such contracts and arrangements and look out for better sources on better terms which would promote a clean environment.

Policy Review: This Policy shall be reviewed once in 3 (Three) years by the Board of Directors of the Company. In case of any subsequent changes which will be brought in the regulatory framework which could make any of the provisions in this policy inconsistent with the changes brought in, the provisions brought into force through the regulatory framework would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with the applicable laws.

This revised Related Party Transaction Policy has been recommended by the Audit Committee and adopted by the Board of Directors at their meetings held at Chennai on 11th February 2022.

(Sd/-) R.Vijayaraghavan
Chairman of the Audit Committee