



## **McNALLY BHARAT ENGINEERING COMPANY LIMITED** **RELATED PARTY TRANSACTIONS POLICY**

### **1. INTRODUCTION**

**1.1** The Board of Directors of McNally Bharat Engineering Company Limited (hereinafter referred to as “MBECL” or “the Company”) has adopted this policy on Related Party Transactions based on recommendation of the Audit Committee. The existing Related Party Transaction Policy has been reviewed by the Audit Committee and the Board.

**1.2** The Audit Committee and the Board will review this policy as and when required but at least every three years and propose amendment as required to comply with the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended) (“Listing Regulations”) and Companies Act, 2013 (“Act”).

**1.3** This Policy will be effective from 1<sup>st</sup> April 2019.

### **2. OBJECTIVE**

The objective of this Policy is to regulate transactions between the Company and its Related Parties based on the requirements of the Act, Listing Regulations and any other law, regulations and Accounting Standards as may be applicable to the Company.

### **3. DEFINITIONS**

**“Key Managerial Personnel”** shall include –

- Chief Executive Officer;
- Managing Director;
- Whole-time Directors;
- Company Secretary;
- Chief Financial Officer.

**“Material Related Party Transaction”** - 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 Rs 1000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, with effect from 1st July 2019, 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 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Promoter”** and **“promoter group”** shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

**“Relative”** means a relative as defined in Section 2(77) of the Act and includes anyone who is related in any of the following manner:

- a. Members of a Hindu Undivided Family;
- b. Husband and Wife;
- c. Father\*, Mother\*, Son\*, Son’s Wife, Daughter, Daughter’s Husband, Brother\* and Sister\* (including step\*)

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares:
  - (i) of 20% or more; or
  - (ii) of 10% or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

shall be deemed to be a related party.

**“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) the Company 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 Company or any of its subsidiaries, with effect from April 1, 2023;

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;

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.

#### **4. THE POLICY**

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions and subsequent material modifications must be reported to the Audit Committee for prior approval of the Committee. Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions:

Provided that:

- (a) the Audit Committee shall define “material modifications” and disclose it as part of the Policy on Materiality of related party transactions and on dealing with related party transactions;
- (b) a related party transaction to which the subsidiary of the Company is a party but Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company;
- (c) with effect from April 1, 2023, a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (d) prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15(2) of the Listing Regulations are applicable to such listed subsidiary.  
*Explanation:* For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

In case of frequent/ regular/ repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval or omnibus approval, details of hereof are given in a separate section of this Policy.

#### **4.1 Identification of Related Party Transactions**

Each Director and Key Managerial Personnel shall at the beginning of the financial year, provide a declaration containing the following information to the Company which shall be updated whenever there is any change in such information.

1. Name of his/her Relatives;
2. Partnership firms in which he/she or his/her Relative is a partner;
3. Private companies in which he/she is a member/Director;
4. Public companies in which he/she is a Director and holds along with his/her Relatives more than two ( 2%) percent of paid-up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his/her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he/she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Each Director and the Key Managerial Personnel shall also give notice to the Company of any potential Related Party Transaction where he may be considered interested. The Director or Key Managerial Personnel will ensure that the notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to review and approve the transaction.

## 4.2 Review and Approval of Related Party Transaction

### a. Approval Matrix

Transaction Type	Approving Authority	Related Party Transactions (RPT)	Threshold
(1)	(2)	(3)	(4)
Transactions with Related Parties in the ordinary course of business and at arm's length	Audit Committee	All types of transactions	Not applicable
RPTs are not in the ordinary course of business or not at arm's length	Audit Committee and the Board  If the RPTs are as per threshold specified in column 4, in addition to the Audit Committee and the Board, the Shareholders	a. Sale, purchase or supply of any goods or materials;  b. Selling or buying property of any kind;  c. Leasing of property of any kind;	10% or more of the turnover of the Company;  10% or more of the net worth of the Company;  10% or more of the turnover of the Company;

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		<p>d. Availing or rendering of any services;</p> <p>e. Appointment to any office of place of profit in the Company, its subsidiary or associate company;</p> <p>f. Underwriting the subscription of any securities or derivatives.</p>	<p>10% or more of the turnover of the Company;</p> <p>Monthly remuneration exceeding Rs 2.5 lakhs;</p> <p>1% of the net worth of the Company.</p>
<p>Material RPT and subsequent material modifications as defined by the Audit Committee under Regulation 23(2)</p>	<p>Audit Committee, Board of Directors, and <u>prior approval</u> of Shareholders through resolution. No related party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not.</p>	<p>a. All types of transactions excluding brand usage and royalty;</p> <p>b. Brand usage and royalty payments transactions</p>	<p>Individually or taken together with previous transactions during a financial year, exceeds Rs 1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements;</p> <p>With effect from 1<sup>st</sup> July 2019, individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements.</p>

All material related party transactions and subsequent material modifications as defined by the Audit Committee under Regulation 23 (2) shall require prior approval of the shareholders through resolution and no

related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulations 23 and 15(2) of the Listing Regulations are applicable to such listed subsidiary.

*Explanation:* For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

The provisions of sub-regulations (2), (3) and (4) of Regulation 23 shall not be applicable in respect of:

- transactions entered into between two wholly-owned subsidiaries of the holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- 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.

**b. Consideration by the Committee in approving the proposed Transactions**

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors among others, to the extent relevant to the transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis;
- (ii) Whether the Related Party Transaction is beneficial to the Company;
- (iii) Whether the transaction is a Material Related Party Transaction;
- (iv) Whether there are any business reasons for the Company to enter into the Related Party Transaction and the alternative available, if any;
- (v) Whether the Related Party Transaction would affect the independence of the Directors/ KMP;
- (vi) Whether the proposed transaction includes any potential reputational risk issue;

**c. Determination of Arm's Length Transaction**

In order to determine whether a transaction is at arm's length, the Audit Committee/Board will exercise its own judgment based on its assessment from the information furnished and the relevant factors concerning each such transaction. The Audit Committee may also rely on third party professional certifications including latest available reports on pricing carried out by independent consultants to ascertain whether the transaction is at arm's length. For new transactions, the Committee may determine the appropriate methods.

**d. Ordinary Course of Business**

Related Party Transactions that are part of regular business activities shall be considered to be in the ordinary course of business. The criteria that may be considered for this purpose are as below:

- i) Nature and scope of the transaction and its consistency in general with the operations of the Company;
- ii) Possibility of entering such transaction with third parties;
- iii) Size of the transaction in relation to the prevailing market.

**4.3 Approval by the Board**

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or if it is mandatory under any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modifications as may be necessary or appropriate under the circumstances.

**4.4 Omnibus Approval by the Committee**

In case of frequent/ regular/ repetitive transactions which are in the normal course of business of the Company, the Committee may grant omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that it is in the interest of the Company. The omnibus approval shall specify the following:



- a. Name of the Related Party;
- b. Nature of the transaction;
- c. Period of the transaction;
- d. Maximum amount of the transaction that can be entered into;
- e. Indicative base price/ current contracted price and allowable variation in price, if any;
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value of material terms of the contract or arrangement have been varied/amended. Any proposed variations/ amendments to these factors shall require a prior approval of the Committee.

Further, where the need for the Related Party Transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs 1,00,00,000 (Rupees One crore only). The details of such transactions shall be reported at the next meeting of the Audit Committee for ratification.

Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

## **5. NON – COMPLIANCE WITH THE POLICY**

If a Related Party Transaction is entered into by the Company without being approved under the policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and all options available to the Company including ratification, revision or termination of the transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under the Policy, and take such action as it may deem appropriate.

A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after any Officer/ Director of the Company becomes aware of such transaction.

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

## 6. DISCLOSURES

- 6.1 Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on Corporate Governance;
- 6.2 The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web-link shall be provided in the Annual Report;
- 6.3 The Company shall submit to the stock exchanges Disclosures of Related Party Transactions every 6 months within 15 days from the date of publication of its standalone and consolidated financial results, in the format as may be specified by SEBI from time to time and publish the same on its website.

Effective 01.04.2023, the Company shall make such disclosures every 6 months on the date of publication of its standalone and consolidated financial results.

- 6.4 The Annual Report of the Company shall make disclosures in compliance with the Accounting Standard on “Related Party Disclosures” as under:

(A)

Sr. no.	In the accounts of	Disclosures of amounts at the year-end and the maximum amount of loans/advances/investments during the year
1	Holding Company	<ul style="list-style-type: none"> <li>▪ Loans and advances in the nature of loans to subsidiaries by name and amount.</li> <li>▪ Loans and advances in the nature of loans to associates by name and amount.</li> <li>▪ Loans and advances in the nature of loans to firms/companies in which directors are interested(*) by name and amount.</li> </ul>
2	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company.
3	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

(\*)For the purpose of above disclosures Directors' interest shall have the same meaning as given in Section 184 of the Companies Act, 2013.

**(B)** Disclosures of transactions of the Company with any person or entity belonging to the promoter/promoter group which hold(s) ten (10%) percent or more Shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results.

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**Asim Kumar Barman**  
**Chairperson, Audit Committee**

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**Aditya Khaitan**  
**Chairman**

Dated 15<sup>th</sup> March 2022