

McNally Bharat Engineering Co. Ltd.

POLICY ON RELATED PARTY TRANSACTIONS [Vide Clause 23 of the SEBI (LODR) Regulations, 2015]

- 'Related party', 'related party transactions' and 'material related party transactions' shall be construed according to their respective meanings under the SEBI (LODR) Regulations, 2015.
- Every material related party transaction shall require approval of shareholders through Resolution and in such case no related party shall vote to approve the Resolution whether being a related party to the particular transaction or not.

A. MATERIALITY OF RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company shall not encourage any related party transaction unless it is considered to be 'material' in the Company's interest in view of the benefits expected to be derived therefrom. Only that related party transaction shall be considered as material and taken up for consideration by the Board of Directors or Audit Committee which passes through the following criteria :

1. It is absolutely beneficial to the Company and necessary for the purpose of the Company's business.
2. The offer/s involved in such transaction from or to the other party is/are totally justified.
3. The transaction has competitive advantage, judging by the cost and effect factor, over other such or similar existing or probable transactions not being related party transactions.
4. As between two related party transactions, the selected one is more economical and effective.
5. Its short term vis-a-vis long term merits to serve the best interest of the Company, justify its adoption.
6. Every related party transaction shall be on 'arm's length' basis i.e, the status of the related party as such shall be disregarded and viewed ait par with the same of any unrelated party.

B. DEALING WITH RELATED PARTY TRANSACTIONS

In terms of Clause 23 of the SEBI (LODR) Regulations, 2015 the Audit Committee may grant omnibus approval for all related party transactions which will pass the criteria given in A above and repetitive in nature.

The Audit Committee shall review, at least on a quarterly basis, the details of each such transaction entered into by the Company according to such omnibus approval.

This omnibus approval for each such transaction shall be valid for a period of one year from the date on which it is entered and shall be subject to the fresh such approval after the expiry of one year for a further period of one year and 50 on. However, the Audit Committee while reviewing on quarterly basis may give fresh approvals to such transactions without waiting for their respective one year terms to expire.

Threshold Limits :

- i) The omnibus approval shall not exceed Rs. 1 Core per transaction and Rs. 10 Crores in the aggregate of all transactions in a Financial Year.
- ii) The approval of transactions involving payments made to a related party with respect to brand usage or royalty during a Financial Year shall not exceed 2% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. This limit may be exceeded subject to the approval of the shareholders.

For related party transitions not covered by omnibus approval :

1. Every transaction of the Company shall be previously scrutinized so as to establish whether it is a 'related party transaction'.
2. If it is so, it shall be referred to any of the Members of the Audit Committee ('the Committee'), before giving any effect thereto.
3. The Member aforementioned shall call or cause to be called a Meeting of the Audit Committee to consider such transaction for approval. Otherwise, a Resolution by Circulation may be passed by the Committee to approve such transaction [Unless the same has to be passed at a Meeting only in terms of Section 179(3) of the Companies Act, 2013].
4. Given the character of the transaction, if the prior approval of the Board of Directors ('the Board') is also required in terms of Section 188(1) of the Companies Act, 2013, the Committee shall, after this approval, refer the same to the Board for Its consideration and approval. A Resolution by Circulation may be passed by the Board to approve such transaction [unless the same has to be passed at a Meeting only in terms of Section 179(3) of the Companies Act, 2013].
5. If a Meeting of the Committee has already been called in the ordinary course of business, the transaction shall remain pending (unless it is so urgent in nature) till the Meeting is held and it is considered and approved thereat.
6. The transaction, which requires previous approval of the Shareholders in terms of Section 188 of the Companies Act, 2013, by way of a Special Resolution, shall wait till the Shareholders' Meeting is held and the transaction is approved.
7. If a Director is in any way, directly or indirectly, concerned or interested in a contract or arrangement in or in connection with any related party transaction and the provisions of Section 184(2) of the Companies Act, 2013 are attracted and consequently he can not participate in the Board Meeting at which it will be discussed,

the Board will endeavour to discuss the same as the last item of business of the Meeting in which case the concerned Director will take leave.