

BALRAMPUR CHINI MILLS LIMITED



Policy on Related Party Transactions



1. Preamble

The Policy on Related Party Transactions provides a framework to regulate transactions between Balrampur Chini Mills Limited (hereinafter referred to as “the Company”) and its Related Parties based on the laws and regulations applicable to the Company.

2. Objective

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the Applicable Laws as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in conduct of Related Party Transactions in the best interest of the Company and its shareholders as per the requirement of sections 177 and 188 of Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to ensure the proper approval and reporting of transaction between the Company and its Related Parties as determined under Listing Regulations, Companies Act, 2013 and rules prescribed there under, and any other laws and regulations as may be applicable to the Company.

3. Definitions

“**Applicable Laws**” means the Companies Act, 2013 and the rules made thereunder, Listing Regulations and include any other statute, law, standards, regulations, guidance note or other governmental instruction relating to Related Party Transactions.

“**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Tests for ascertaining whether the Related Party Transactions is at arm’s length are inter alia as follows:

1. The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
2. The contracts/ arrangements have been commercially negotiated.
3. The pricing is arrived at as per the rule/ guidelines that may be issued by or acceptable for the purpose of Ministry of Corporate Affairs, Income Tax Act, 1961, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/ arrangements contemplated under the Act, Rules framed thereunder or Listing Regulations.
4. The terms of contract/ arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar



category/ profile of counterparties.

Such other criteria as may be issued under Applicable Law.

“Associate Company” shall mean any entity which is an associate under sub-section (6) of section 2 of the Act or under the applicable Accounting Standards.

“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.

“Joint Venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“Material Related Party Transaction”

A. Under the Listing Regulations, means:

- a. any transaction to be entered into with a Related Party (other than a Wholly Owned Subsidiary), value whereof individually or taken together with previous Related Party Transaction during a financial year, exceeds Rs. 1000 Crores or ten percent of the annual consolidated turnover of the Company, whichever is lower, as per the last audited financial statements of the Company or such other threshold as may be laid down from time to time by Applicable Law;
- b. a transaction involving payments made to a Related Party with respect to brand usage or royalty if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company; (if any)

B. Under the Act means transactions as defined under Section 188(1) of the Act by the Company with Related Parties as defined under Section 2(76) of the Act where the aggregate value of the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the Act from time to time.

“Material modification(s)” -shall mean any modification made in the terms and conditions of any Related Party Transactions, which are existing as on the date of adoption of this Policy or entered subsequently as originally approved by the Audit Committee and/ or shareholders, as the case may be, having significant impact, including the criteria illustrated below, on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time.



Inclusive list of rebuttable presumption that a modification is material, if such modification, together with previous modifications during a financial year, results into any of the following:

- A variation in the value of the transaction/ contract as originally approved, by 10% or more.
- The terms of the contract cease to be arm's length.
- Granting of waiver, abatement or any other relief to other party, which results into a financial implication equal to 10% or more of the value of the contract.
- Extension of tenure of contract by 10% or more of original tenure, except for completion of any residual performances.
- Any modification which results into the claims of either party being subordinated, or relaxation of security interest:
 - Provided that giving any consent for cessation of *pari passu* charge or any other security interest, provided there is adequate asset cover, shall not be deemed as modification of contract.
- Any novation of the contract or arrangement to a third party.

Provided further that the following shall not be considered as material modification:

- modifications which may be mandated pursuant to change in law,
- modifications pursuant to and in accordance with the terms of the approved transaction/ contract, with mutual consent of parties,
- modifications resulting from change in constitution of either of parties pursuant to scheme of arrangement (eg: merger, amalgamation, demerger, etc.),
- modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties,
- modifications uniformly affected for similar transactions with unrelated parties

“Office or Place of Profit” means any office or place:

- i. where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent- free accommodation, or otherwise;
- ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent- free accommodation, or otherwise;

“Relative” means relative as defined under Section 2(77) of the Act read with Rule 4 of the Companies (Specification of Definition Details) Rules, 2014.

“Related Party” means related party as defined in Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, (hereinafter referred to as “Listing Regulations”), which inter alia provides that a “related party” means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 (as amended) (hereinafter referred to as “the Act”) or under the applicable accounting standards.



“Related Party Transaction” (“RPTs”) “Related Party Transactions” (RPTs) means a transaction involving transfer of resources, services or obligations between:

- (i) the Company 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 with effect from April 1, 2022; 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 listed entity 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.

Unless the context otherwise requires, words or expressions contained in this Policy and not defined here, shall bear the same meaning as defined under the Applicable Laws.

4. Policy Statement

All RPTs proposed to be entered and subsequent Material Modification thereto shall require prior approval of the Audit Committee including the transactions to be entered in the ordinary course of business and at arms length. The Audit Committee shall accordingly recommend the RPTs for the approval of Board of Directors /Shareholders as per the terms of this Policy.

All Material RPTs shall require the approval of Shareholders through ordinary resolution. Further, no entities falling under the definition of “Related Parties” shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

5. Identification of Related Parties

The Company shall:

- i. Identify and keep on record, a list of Company’s Related Parties, along with their requisite details.
- ii. Set the mechanism for reporting of such transactions proposed to be entered or entered with related parties.
- iii. The list of Related Parties shall be updated whenever necessary and shall be reviewed.
- iv. Be responsible for implementation and monitoring of the Company’s RPT Policy at all times and submit a half yearly or quarterly, as may be applicable, report of the RPTs to the Audit Committee for review.

6. Disclosure by Directors and KMPs

Every Director shall, at the beginning of the financial year provide information by way of written notice to the Company regarding his/ her concern or interest in other entities with specific concern to parties which may be considered as Related Party with respect to



the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this Policy.

Further, the KMPs shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

7. Review and Approval of RPTs

A. Audit Committee

Related Party Transactions shall require approval as follows -

All Related Party Transactions and Material Modifications thereto of the Company with its Related Parties shall require prior approval of the Audit Committee. Any other modification should also be approved (may be ratified) by the Audit Committee.

Prior approval of the Audit Committee of the listed entity shall also be required in the following instances:

- a. a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of annual consolidated turnover, as per the last audited financial statements of the Company; and
- b. a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, 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, with effect from April 1, 2023.

However, such prior approval as mentioned under clause (a) and (b) as aforesaid shall not be required for a related party transaction wherein the subsidiary is listed and regulation 23 of Listing Regulations are applicable to such listed subsidiary.

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

Approval of the Audit Committee shall not be required for any transaction which has been entered into by the Company with its wholly owned subsidiary and transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval. However, approval shall be required in case of Related Party Transaction entered into between the Company and its wholly owned subsidiary for transactions specified in section 188 of the Act.



Only those members of the Audit Committee who are independent directors shall approve Related Party Transactions

Omnibus approval by Audit Committee

- i. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - a) repetitiveness of the transactions (in past or in future);
 - b) justification for the need of omnibus approval.
- ii. The Committee shall satisfy itself that such approval is in the interest of the Company.
- iii. Such omnibus approval shall specify -
 - 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) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where the need for RPT 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 (One) crore per transaction.

- iv. It shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- v. Such omnibus approvals shall be valid for a period not exceeding 1 (one) financial year.
- vi. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- vii. Any other conditions as the Audit Committee may deem fit.

Any member of the Audit Committee who has interest in any RPTs will recuse himself or herself and abstain from discussion and voting on the approval of the RPTs.

In order to review RPTs, the Audit Committee will be furnished with all relevant material information of the RPTs, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.



In determining whether to approve RPTs, the Audit Committee will consider the following factors, among others, to the extent relevant to the RPTs:

- ✓ Name of the related party and the relationship
- ✓ Nature, duration of transaction and particulars of the transaction
- ✓ Material terms 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 and whether the terms of the RPT are fair and on arm's length basis to the Company
- ✓ Business rationale for such transactions

Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

B. Board Approval

Where it is mandatory under the Applicable Law for the Board to approve a RPT or the Audit Committee determines that a RPT should be brought before the Board, then such RPTs shall be approved by the Board .

C. Shareholder's Approval

All material RPTs and material modifications thereto or cases where the Audit Committee and the Board determines that a RPT should be brought before the Shareholders, prior shareholders' approval shall be for such transactions.

Approval will not be required if the transaction is entered into with wholly owned subsidiary(ies) and between two wholly-owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

8. Ratification of RPTs

Ratification by Audit Committee

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transactions within a period of three months from the date of entering into such a transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control system, and shall take any such actions it deems appropriate.



In case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of the Policy.

Ratification by the Board/ shareholders

For transactions that are required to be approved by the Board, but not approved prior to its consummation, the same shall also be required to be ratified by the board within a period of three months from the date of entering into such a transaction. Furthermore, if the said transaction is a material related party transaction or a material modification thereto, then the same will also be required to be placed before the shareholders for their approval.

9. Related Party Transactions that shall not require Approval

Statutory

- 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 listed entity 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.

Others

- c. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board and providing of compensation to such Directors or KMPs in connection with their duties to the Company, including reimbursement of reasonable business and travel expenses incurred in the ordinary course of business;
- d. Transactions involving corporate restructuring, such as capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Applicable Laws;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee;



10. Register

The Company shall maintain Registers of RPTs in Form MBP 4 or such other form as may be prescribed under the Applicable Laws.

11. Disclosures/Amendment

The Related Party Transactions, Material Related Party Transactions, agreements, arrangements, contracts and Policy will be disclosed from time to time as required under the Act (as amended from time to time), Listing Regulations (as amended from time to time) and as per the applicable Indian Accounting Standards.

The Company shall disclose the Policy on dealing with RPTs on its website and a web link thereto shall be provided in the Annual Report of the Company.

The rights to interpret/amend/modify this Policy vests with the Audit Committee/ Board of Directors of the Company. Further, this Policy shall be reviewed by the Audit Committee/ Board of Directors at least once every 3 (three) years and updated accordingly.

Any matter not provided for in this Policy shall be handled in accordance with Applicable Laws, and the Company's Articles of Association.

This Policy is in conformity with Applicable Laws. In case any clause /provision of this Policy is inconsistent with Applicable Laws, the provisions of such Laws shall prevail. Any subsequent amendment / modification in the Applicable Laws shall automatically apply to this Policy.

Place: Kolkata

Date: 2nd February, 2022

This Policy has been reviewed, amended and updated by the Audit Committee and approved by the Board at their respective meetings held on 2nd February, 2022 and has been made effective on and from 1st April, 2022.