

**BALGOPAL COMMERCIAL LIMITED**

**POLICY ON DEALING WITH AND MATERIALITY OF RELATED PARTY  
TRANSACTIONS**

## **1. SCOPE AND APPLICABILITY**

This policy is called “BALGOPAL COMMERCIAL LIMITED – POLICY ON DEALING WITH AND MATERIALITY OF RELATED PARTY TRANSACTIONS” (“RPT Policy”).

Balgopal Commercial Limited (“the Company”) enters into transactions with Related Parties to carry on its day-to-day business activities. This RPT Policy shall apply while dealing with the Related Parties.

## **2. OBJECTIVE**

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, *inter alia*, provides, that the Company shall formulate a Policy on dealing with and materiality of Related Party Transactions.

This Policy intends to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as may be amended from time to time) and the Companies Act, 2013 read with Rules and Regulations made thereunder, to ensure that the transactions with related parties are undertaken in compliance with the legal requirements and necessary structure for reporting is in place. The Company has been entering into transactions with related parties, for its business purposes from time to time. These transactions primarily include purchase of raw materials, finished goods, packing materials, intermediaries, and such other transactions permissible and provided for under the provisions of the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Income Tax laws. This Policy encompasses the mechanism to regulate transactions with related parties in a fair and transparent manner.

## **3. MEANING OF TERMS USED**

- a. “**Act**” means the Companies Act, 2013, including the Rules, Regulations, schedules, clarifications and guidelines issued and amended by the Ministry of Corporate Affairs, from time to time.
- b. “**Arms’ 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.
- c. “**Audit Committee**” shall mean the Audit Committee of the Board of Directors constituted in accordance with the provisions of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- d. “**Board**” refers to Board of Directors of Balgopal Commercial Limited or any Committee of the Board authorized for the purpose of this Policy.
- e. “**Company**” or “**Balgopal Commercial**” refers to Balgopal Commercial Limited pursuant to this Policy, having its Registered Office at Flat No. B-002, Dreamax Vega, Upadhyay Compound, Pump House, Jijamata Road, Andheri (East), Mumbai - 400093.
- f. “**Material transaction**” means a transaction with a Related Party where any transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.

A transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the said transaction to be entered into individually or taken together with the previous transactions during a financial year, exceed 5 (five) percent of the annual consolidated turnover of the Company as per the last audited financial statements.

- g. **“Related Party”** shall have the meaning ascribed to it in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act, including all amendments and modifications thereof from time to time.
- h. **“Related Party Transaction or RPT”** shall have the meaning ascribed to it in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act, including all amendments and modifications thereof from time to time.
- i. **“Material Modification”** means any modification in the original contract or arrangement with a Related Party that would result in an increase of 20% or more on the originally approved transaction value or any modification of other material terms including non-financial terms like credit period, scope of contract etc. which were determined during approval of the contract or arrangement, specifically defined as such by the Audit Committee.

In case a modification is required pursuant to amendment to the applicable laws, it shall not be regarded as a material modification.

- j. **“Ordinary Course of business”** for the purpose of this RPT Policy, shall include those transactions which are entered in accordance with the business objectives of the Company as included in the objects clause of the memorandum of association of the Company and necessary for Company’s operations and includes but not limited to activities that are normal/incidental and/or facilitative activities of the business of the Company. The satisfaction of any of the following tests shall determine whether a transaction is in the ‘ordinary course of business’ of the Company:
  - (i) The activity in question should be in furtherance of the business objectives of the Company and there should be a proximity of the activity in question with the normal business activities of the Company.
  - (ii) There is a historical practice to carry out such activities;
  - (iii) There is a pattern of frequency to conduct such activities over a period of time;
  - (iv) The transaction is not an exceptional or extra ordinary activity; and
  - (v) It meets any other parameters/criteria as decided by the Audit Committee and/or Board of Directors of the Company.
- k. **“Rules”** means the Companies (Meetings of Board and its Powers) Rules, 2014 including any modifications or amendments thereof.
- l. **“SEBI LODR”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) and/or re - enactment(s) thereof for the time being in force).
- m. **“Threshold Limits”** are financial limits for transaction(s) with Related Party(s) in the ordinary of business and on an arms-length basis and which are set out in **Annexure A** to this Policy.

Words, terms, and expressions used and not defined in this Policy or SEBI LODR but defined in the Act shall have the same meaning respectively assigned to them in the Act.

#### **4. POLICY AND PROCEDURES FOR RELATED PARTY TRANSACTION**

##### **4.1. Identification of Related Parties and Related Party Transactions**

- a. Before the commencement of each financial year, the Company shall draw up a list of Related Party(s) in accordance with the definition given in SEBI LODR and the Act. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard.
- b. All Directors and Key Managerial Personnel are responsible for informing the Company of their interest (including their indirect interest) in other companies, firms, body corporate(s) or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors and Key Managerial Personnel are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him directly or indirectly.
- c. The Audit Committee, in consultation with the Company Secretary, will review and determine whether any transaction with such Party(s) will constitute a Related Party Transaction requiring compliance with this RPT policy. Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and shall not be present in the meeting during discussions on related party transactions and shall not be entitled to vote on for such item under consideration by the Audit Committee and Board, as the case may be.

##### **4.2. Approvals required for Transaction(s) with Related Party(s)**

###### **A. Related Party(s) transactions and any subsequent modifications in the ordinary course of business and on arms-length basis:**

- (i) All Related Party(s) transactions and any subsequent material modifications thereto in the ordinary course of business and at arm's length shall be subject to the prior approval of the Audit Committee and within the Threshold Limits. Further, any subsequent modification to any terms of conditions of the transactions with related parties shall require approval of the Audit Committee. Only Independent Directors who are members of the Audit Committee shall approve Related Party Transactions.
- (ii) 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

The approval of the Audit Committee of the Company shall not be required for the transactions entered into between the Company and its wholly owned subsidiary or 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.

- (iii) The Company shall not enter into any transaction with a Related Party beyond the Threshold Limits, without the prior approval of the Board. The Board may approve the Threshold Limits of any transaction not defined or mentioned in this Policy. The Board shall review the Threshold Limits at least once in every three years and make changes as and when necessary.

(iv) The Audit Committee may grant omnibus approval for Related Party Transactions within the overall Threshold Limits, proposed to be entered into by the Company and such approval shall be subject to the following:

- i. The Audit Committee shall lay down the criteria for granting omnibus approval in line with this Policy, for Related Party Transactions which are repetitive in nature.
- ii. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. the omnibus approval shall specify:
  - (a) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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.

Provided that where the need for related party transaction 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 crore per related party during a financial year.

The Audit Committee shall review on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approvals given. The omnibus approvals by the Audit Committee shall be valid for a period of not exceeding one year and shall require fresh approvals after the expiry of one year.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

**B. Transactions with Related Party(s) not in the ordinary course of business and/or on arms-length basis:**

Transaction(s) with Related Party(s) not in the ordinary course of business and/or not at arm's length shall require prior approval of the Audit Committee as well as the Board and in accordance with the provisions of Section 188 of the Act, SEBI LODR and other applicable laws.

Transaction(s) crossing the limits set out Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as may be amended from time to time, shall require prior approval of the shareholders of the Company in accordance with the procedure set out in Section 188 of the Act. For the purpose of such transaction(s), the limits shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

**C. Material Transactions with Related Party(s):**

Material Transaction(s) with Related Party(s) and any subsequent material modification shall require prior approval of the Audit Committee, Board, and the shareholders of the Company.

In compliance with the SEBI LODR, approval of the shareholders through resolution shall be taken for all such Material Transactions with Related Party(s) and such Related Party(s), irrespective of whether the entity is a party to a particular transaction or not, shall not vote to approve such resolutions.

**4.3. Information to be provided at the time of seeking approval of the Audit Committee and/or Board, and the Shareholders of the Company, as the case may be:**

The following information should be provided to the Audit Committee and/or Board, as the case may be, where approval for entering into Transactions with Related Party(s) are sought:

- (a) Type, material terms and particulars of the proposed transaction;
- (b) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- (c) Tenure of the proposed transaction (particular tenure shall be specified);
- (d) Value of the proposed transaction;
- (e) Justification as to why the RPT is in the interest of the Company;
- (f) A copy of the valuation or other external party report, if any such report has been relied upon;
- (g) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (h) Any other information relevant or important to take a decision on the proposed transaction.

The Audit Committee and/or Board may call for such additional information as may be required for granting approval to such transactions.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Act, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the Audit Committee as specified above;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point 4.3 (f) above;
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis; and
- f. Any other information that may be relevant.

**4.4 Review of Related Party Transactions:**

The Management shall lay down an appropriate framework including the pricing mechanism to ensure arm's length pricing for dealing with the Related Party(s). The Management shall institute appropriate administrative mechanism to ensure that all Related Party Transactions are in compliance and reviewed in accordance with these policies and procedures including maintenance of proper records in this regard.

All the transactions with Related Parties shall be referred to the Audit Committee for review at its scheduled quarterly meetings or as may be called upon by the Audit Committee from time to time along with all relevant information of such transaction(s).

The Audit Committee may refer any of the Related Party Transactions brought before it or it being mandatory under any law, for approval of the Board. The Board may on its own accord also decide to review any Related Party Transaction.

The Audit Committee may seek advice of external consultants and experts on determining whether a particular transaction which is being considered by the Audit Committee would be regarded on an arms' length basis or otherwise.

Further, the Statutory Auditors of the Company shall review the material related party transactions of the Company to be in compliance with the applicable provisions of the Act & SEBI LODR as per the auditing and reporting requirements and confirm it to the Audit Committee.

#### **5. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY**

In the event any transaction has been undertaken/is being undertaken with a Related Party without obtaining requisite approval under this Policy, such transactions should be immediately reported to the Company Secretary. Such transactions shall be reviewed by the Audit Committee in the next meeting. The Audit Committee shall be provided with all the relevant facts and circumstances for entering into such transaction with a related party. Based on the information provided, the Audit Committee shall evaluate and take such necessary steps, as it may deem fit, including ratification, termination or revision of any terms of the Related Party Transaction. The Audit Committee shall keep the Board apprised of any instances of such transactions entered into with any related party in contravention of this Policy and recommend to Board for its consideration and approval.

#### **6. AMENDMENTS TO THE POLICY**

The Company is committed to continuously reviewing and updating its policies and procedures. Therefore, this Policy is subject to modification. This Policy will be reviewed by the Board of Directors of the Company once in every three (3) years and any amendment of any provision of this Policy shall be promptly disclosed on the Company's website at [www.bcommercial.org](http://www.bcommercial.org)

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.