

BALGOPAL COMMERCIAL LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

The Board of Directors (the “Board”) of Balgopal Commercial Limited (the “Company”) has adopted this Policy on Related Party Transactions (“the Policy”), as required in terms of Clause 49 of the Listing Agreement. The Board or the Audit Committee of the Board (“Audit Committee”) may review and amend this policy from time to time.

PURPOSE

The Board recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof. Therefore the Board has adopted this Policy to ensure that all Related Party Transactions with Related Parties shall be subject to this policy and approval or ratification in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, approval and reporting of such Related Party Transactions.

DEFINITIONS

1. **“Applicable Law”** means the Companies Act, 2013 and the rules made thereunder, the Listing Agreement and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
2. **“Compliance Officer”** means an officer of the Company as appointed by the Board to oversee Related Party Transactions, by whatever name called.
3. **“Key Managerial Personnel”** means
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) Whole-Time Director;
 - (iii) the Company Secretary;
 - (iv) The Chief Financial Officer
4. **“Material Related Party Transactions”** means such Related Party Transaction to be entered into individually or taken together with previous Related Party Transaction during a financial year, exceeds five percent of the annual turnover or twenty percent of the net worth of the Company as per the last audited financial statements of the Company, whichever is higher.
5. **“Relative(s)”** shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013 and the Rules made thereunder and the Listing Agreement.
6. **“Related Party”** means any person who is or at any time since the beginning of the Company’s last financial year was:
 - (i) A director, nominee for director; or

- (ii) Key Managerial Personnel
- (iii) Relatives of any of the foregoing persons, or
- (iv) Any other person or entity covered under Applicable Law.

7. **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party that are subject to the provisions of Applicable Law and shall include the following:

- 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 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;

8. Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- (i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act 2013, in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- (ii) Indemnification and advancement of expenses made pursuant to the Company’s Certificate of Incorporation or pursuant to any agreement or bylaws of the Company.
- (iii) Any transaction in which the Related Party’s interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- (iv) Any transaction which is in the ordinary course of business and on an arms’ length basis as determined in terms of this Policy
- (v) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and must be approved in advance by the Audit Committee.

POLICY STATEMENT

A. Procedures for review and approval of Related Party Transactions

- a. All Related Party Transactions or changes therein must be reported to the Compliance Officer and referred for prior approval by the Audit Committee in accordance with this Policy. However, the Audit Committee may grant omnibus approval to Related Party Transactions proposed to be entered into by the company subject to the following conditions:
 - (i) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - (iii) Such omnibus approval shall specify the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into, the indicative base price / current contracted price. The formula for variation in the price if any and such other conditions as the Audit Committee may deem fit;
 - (iv) 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 transaction.
 - (v) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
 - (vi) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"
- b. The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
- c. If the Board is of the view that the Related Party Transaction those are material in nature needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Applicable Law, the same shall be put up for approval by the shareholders of the Company.
- d. If prior approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.

- e. In any case where either the Audit Committee /Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy.
- f. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.
- g. No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.
- h. If a Related Party Transaction will be on-going, the Board / Audit Committee may establish guidelines for the Company's management to follow in its on-going dealings with the Related Party. Thereafter, the Board / Audit Committee, on at least an annual basis, shall review and assess on-going relationships with the Related Party to ensure that they are in compliance with the Act and rules made thereunder, the Listing Agreement and this Policy and that the Related Party Transaction remains appropriate.
- i. In addition, the Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- j. Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

B. *Standards for Review*

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;

- (c) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (d) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (e) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- (f) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction and
- (i) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- (j) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- (k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Audit Committee / Board deems relevant.
- (l) required public disclosure, if any; and
- (m) any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / shareholders, as applicable, in light of the circumstances of the particular transaction.

The Audit Committee / Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee / Board, as applicable, may approve / ratify / recommend to the shareholders, the Related Party Transaction only if the Audit Committee / Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee / Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

C. *Determination of Ordinary Course of Business*

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is not a standalone transaction. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course business.

D. *Determination of Arms' length nature of the Related Party Transaction*

(a) Price Determination

At the time of determining the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms' length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

(b) Underwriting and Screening of arms' length Related Party Transaction

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.
- (ii) The Compliance Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

(c) Related Party Transaction limits:

- (i) The Related Party Transaction must be within the lower of the following transaction limits with respect to any Related Party:
 - 1. Limits on Material Related Party Transactions; and
 - 2. Expected transaction volumes based on past transactions with Related Parties using linear rate of growth as evidenced by past data.
- (ii) Credit limits extended to the Related Party must be usual as for unaffiliated parties.

If the Audit Committee is of the opinion that the Related Party Transaction meets the aforesaid criteria of Ordinary Course of Business **and** the Arms' Length nature, the Related Party Transaction will not be treated as a Related Party Transaction for the purpose of this Policy.

E. *Identification of Potential Related Party Transactions*

- (a) Each director / Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer in consultation with other members of management and with the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

- (b) Every director / Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- (c) Where any director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- (d) A contract or arrangement entered into by the company without disclosure or with participation by a director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- (e) In addition, each director / Key Managerial Personnel is required to complete a questionnaire in connection with the disclosures about their Relatives and any current, past and proposed Related Party Transactions.
- (f) Any director / Key Managerial Personnel who has been convicted of the offence dealing with related party transactions at any time during the last preceding five years shall be disqualified for appointment as director / Key Managerial Personnel, as the case may be.
- (g) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matters incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances, however.

F. *Disclosures*

- (a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- (c) The Company is also required to disclose this Policy on its website and also in the Annual Report of the Company
- (d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.