



BEML LIMITED
Bangalore

POLICY ON RELATED PARTY TRANSACTIONS

1. NAME OF THE POLICY

This Policy will be known as the ‘BEML – Policy on Related Party Transactions’ and for the sake of brevity ‘RPT Policy’.

2. APPLICABILITY AND EFFECTIVE DATE

This policy will be applicable to the Company with effect from 1st October 2014, to regulate transactions between the Company and its Related Parties in compliance with the provisions of the applicable laws, rules and regulations.

3. PURPOSE

This policy is framed as per requirement of Clause 49(VII)(C) of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related parties.

This Policy shall supplement Company’s other policies & practices, delegation powers, etc. which require approval of the Contracts or Arrangement in specified manner and by specified authority. If there exists more than one set of requirements due to application of multiple laws and regulations, the Endeavour must be based on the compliance principle which would meet the higher governance standards.

4. DEFINITIONS

“**Accounting Standard 18**”, inter-alia, defines related party as – “parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and /or operating decisions”.

“**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 as defined in explanation (b) to Section 188 (1) of the Companies Act, 2013.

'Associate Company', in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation – For the purposes of this clause, “Significant influence” means control of at least 20% of total share capital, or of business decisions under an agreement.

“Audit Committee” means the Audit Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors of BEML Limited ;

“Key Managerial Personnel” means –

- (a) Key Managerial Personnel (KMP) as defined in Section 2(51) of the Companies Act, 2013, that is,
 - (i) The Chief Executive Officer or Managing Director or Manager ;
 - (ii) The Company Secretary ;
 - (iii) The whole-time Director ;
 - (iv) The Chief Financial officer ; and
 - (v) Such other officer as may be prescribed.

- (b) All General Managers, all Head of the Departments, all Head of Regional and District Offices of the Company, and their relatives.

“Material Related Party Transaction” means a Material Related Party Transaction as defined under the Clause 49 of the Listing Agreement, that is,

‘Transaction which individually or taken together with previous transactions during the financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the company’.

Ordinary Course of Business :

Following are the indicative factors for determining term ordinary course of business :

- (i) Is normal or otherwise remarkable for the business of the company (i.e. features in the company’s system, processes, advertising, staff training, etc.)
- (ii) Is frequent and regular
- (iii) Involves significant amounts of money

- (iv) Is a source of income for the business
- (v) Involves significant allocation of resources
- (vi) Is involved in a service or product that is offered to customers

“Related Party” means -

- (i) Entity / Person, who is a related party under Section 2(76) of the Companies Act, 2013, or
- (ii) Entity / Person, who is a related party under the applicable Accounting Standards.

As per Section 2(76) of the Companies Act, 2013, Related Party means :

- (i) A Director or his relative ;
- (ii) A Key Managerial Personnel or his relative ;
- (iii) A firm, in which a Director, manager or his relative is a partner ;
- (iv) A private company in which a Director or manager or relative is a member or Director ;
- (v) A public company in which a Director or manager is a Director and holds along with his relatives, more than 2 % of its paid-up share capital ;
- (vi) Any body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- (vii) Any person on whose advice, directions or instructions a Director or manager is accustomed to act ;
- (viii) Any company which is –
 - (a) A holding, subsidiary or an associate company of such company ;
 - (b) A subsidiary of a holding company to which it is also a subsidiary
- (ix) Such other person as may be prescribed

“Related Party Transaction (RPT)” means any transaction between the Company and any Related Party for transfer of resources, services or obligations , regardless of whether a price is charged.

“Relative” means a relative as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 as under :

1. Members of HUF
2. Spouse
3. Father includes step-father
4. Mother includes the step-mother
5. Son includes the step-son
6. Son’s wife

7. Daughter
8. Daughter's husband
9. Brother includes the step-brother
10. Sister includes the step-sister

To identify and monitor the list of Related Parties and Relatives as per Sec 2(76) and Sec 2(77) of Companies Act, 2013 respectively, a declaration shall be obtained in the format as at Annexure-1 from the Director / Key Managerial Personnel in the beginning of financial year and on appointment to the Board.

Further, General Terms and Conditions of all procurement / sale of goods and services shall include a clause as under –

“Neither the Bidder nor his / their Key Managerial Personnel nor any of their Relative as defined under the Companies Act, 2013, are a Related Party to the transaction.

If in case, the same is covered under Related Party Transaction as defined in the Companies Act, 2013, the Bidder shall furnish such details in the bid document to enable the Company to comply with Companies Act, 2013, including obtaining the approval of competent authority”.

“**Subsidiary Company**” means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

“**Transaction**” with a related party shall be construed to include a single transaction or a group of transactions.

5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions entered into with effect from 01.10.2014 shall be subject to the prior approval of the Audit Committee either at its meeting or by way of circulation. An illustrative list of related party transaction is at Annex-2.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances or emergent situations, the Audit Committee may ratify the RPT.

Head of Corporate Materials, Head of Marketing and Division or Functional head as the case may be through respective Functional Director are responsible for placing necessary agenda before the Audit Committee and / or Board of Directors of all Related party Transactions requiring approvals (including omnibus approval or ratification) in accordance with this policy. These Officials shall also be responsible to place the agenda

for review of the Audit Committee on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval obtained under Point 5.1.2 of this policy.

After the approval of the Audit Committee and Board, the Company Secretary shall place the agenda to the shareholders for approval, if required.

5.1 Approval of the Audit Committee – Mechanism

5.1.1 Details to be provided to Audit Committee

The following details / information shall be provided to the Audit Committee for entering into RPT :

- a) Name of the related party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into ;
- b) Particulars of the contract or arrangement including material terms of and the value, if any ;
- c) Advance, if any, paid or received for the contract or arrangement ;
- d) Manner of determining the pricing (indicative base price / current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract ;
- e) 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
- f) Any other information relevant for the Audit Committee to take an informed decision on the proposed RPT.

5.1.2 Omnibus Approval

Audit Committee may grant the omnibus approval for RPTs subject to the following conditions :

1. Transactions are **frequent / regular / repetitive** in nature and are in the normal course of business of the Company,
2. Audit Committee shall satisfy itself the need for such omnibus approval in the best interest of the Company.
3. Omnibus approval shall specify :
 - (i) The name(s) of the relative party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,

- (ii) The indicative base price / current contracted price and the formula for variation in the price, if any and
- (iii) Such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval, by way of ratification, for such transactions subject to their value not exceeding Rs.1.00 crore per transaction.

- 4. 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 approvals as duly approved.
- 5. The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year from the date of approval.

5.1.3 Consideration by the Audit Committee

While approving, the Audit Committee may, inter-alia, consider the following factors :

- a) All relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, and the benefits to the company and to the Related party ;
- b) Whether the terms of the RPTs are in the ordinary course of the Company's business and are on an arm's length basis, at the time of entering into the transaction.
- c) Business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any ;
- d) Whether the RPT would affect the independence or present a conflict of interest for any Director or KMP of the Company;
- e) Director or KMP shall not participate in any discussion or approval of RPT for which he or she is a Related Party, except that the Director /KMP shall provide all material information concerning the RPT to the Audit Committee ;
- f) Any other matter the Audit Committee deems relevant.

5.2 Approval of the Board and Shareholders – Mechanism

5.2.1 Under the Companies Act, 2013

In case of specified RPT as per section 188(1) read with applicable Rules mentioned in the table below, prior approval of Board and/or Shareholders is required as per the following :

a) Prior approval of the Board at a meeting – Transactions which are not in ordinary course of business or not on arm’s length basis.

b) prior approval of the Company - Transactions which are not in ordinary course of business or not on arm’s length basis and beyond threshold limits as prescribed under Rule-15 of the Companies (Meetings of Board and its powers) Rules, 2014, and / or such other rules or notification as may be applicable from time to time. Presently, RPTs exceeding the following limits shall be subject to prior approval of the Company :

<i>Sl.No.</i>	<i>Specified RPT(s) U/S 188(1) of the Companies Act, 2013</i>	<i>Threshold limits for approval of Shareholders</i>
(i)	Sale, purchase or supply of any goods or materials directly or through appointment of agents under Clause (a) or (e)	Exceeding 10% of the turnover of the Company or Rs.100 Crore, whichever is lower.
(ii)	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents under Clause (b) or (e)	Exceeding 10% of net worth of the Company or Rs.100 crore, whichever is lower.
(iii)	Leasing of property of any kind Clause (c)	Exceeding 10% of the net worth of the Company or 10% of turnover of the Company or Rs.100 Crore, whichever is lower.
(iv)	Availing or rendering of any services directly or through appointment of agents under Clause (d) or (e)	Exceeding 10% of the turnover of the Company or Rs.50 crore, whichever is lower.
(v)	Appointment of any agent for purchase or sale of goods, materials, services or property	Exceeding 10% of the turnover of the Company or Rs.100 crore, whichever is lower.
(vi)	Such related party’s appointment to any office or place of profit in the Company, its subsidiary company or associate company under Clause (f)	At a monthly remuneration exceeding Rs.2.50 lakhs
(vii)	Underwriting the subscription of any securities or derivatives thereof, of the company under Clause (g)	Exceeding 1% of the net worth

Explanation(s) :

- Limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- Turnover or net worth shall be computed on the basis of the Audit Financial statement of the preceding Financial year.

No member of the Company shall vote on special resolution, seeking the approval of members for any contract or arrangement which may be entered into by the Company, if such member is a related party for such contract or arrangement.

5.2.2 Under the Listing Agreement

All **Material** RPTs require approval of the shareholders, however, the same shall be put up to the Board for its recommendations at its meeting before the approval of shareholders.

Exemption :

- (i) Transactions entered into between two Government Companies ;
- (ii) 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.

All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

5.3 Details to be provided to the Board and Shareholders

The following information shall be provided to the Board for approval of the RPTs:

- a) The name of the related party and nature of relationship ;
- b) The nature, duration of the contract and particulars of the contract or arrangement ;
- c) The material terms of the contract or arrangement including the value, if any ;
- d) Advance, if any, paid or received for the contract or arrangement ;
- e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract ;
- f) 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
- g) Any other information relevant for the Board to take an informed decision on the proposed RPT.

Following information shall be provided to the Shareholders for approval of RPTs :

- a) Name of the related party ;
- b) Name of the Director or KMP who is related to the transaction ;
- c) Nature of relationship;
- d) Nature, material terms, monetary value and particulars of the contract or arrangement ;
- e) Any other information relevant for the members to take an informed decision on the proposed resolution.

5.4 Summary of the approval mechanism under Clause 49 of the Listing Agreement and the Companies Act, 2013 :

<i>Sl. No.</i>	<i>Details of Transaction(s)</i>	<i>Approving Authority</i>
a	RPTs under 5.2.1 above which are not in the ordinary course of business or not at arm's length basis or both subject to threshold limits.	Subject to recommendation of Audit Committee.
b	RPTs under 5.2.1 above which are not in ordinary course of business or not at arm's length basis or both beyond threshold limits.	Approval and recommendation by Audit Committee to the Board.
c	Material Related Party Transactions at 5.2.2 above	Approval and recommendation by the Board to Shareholders and Approval by the Shareholders, subject to the recommendations of Audit Committee and Board.
d	All RPTs not covered under a, b & c above and any subsequent modification.	Audit Committee

5.5 Ratification of Related Party Transactions

- a) If prior approval of the Audit Committee / Board / Shareholders for entering into RPT is not feasible, then such RPT shall be ratified by the Audit Committee / Board/ Shareholders, if required, within 3 (three) months of entering into such RPT.
- b) In case RPT is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

- c) In any case where either the Audit Committee /Board /Shareholders determines not to ratify RPT that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of RPT, the Audit Committee / Board / Shareholders has authority to modify or waive any procedural requirements of the Policy in the best interest of the Company.

5.6 Disclosures :

- a) Every contract or arrangement entered with Related Parties with the approval of Board / Shareholders in line with Section 188 of the Companies Act 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- b) Details of all Material RPTs shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- c) The Company shall disclose the policy on dealing with RPRs on its website and a web link thereto shall be provided in the Annual Report.
- d) Name of all related parties, nature of relationships and details of all RPT should be disclosed in the financial statement as per Accounting Standard 18.
- e) The Company shall keep on or more registers giving separately the particulars of all contracts or arrangements with any related party requires approval of the Board.

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ANNEXURE-1

BEML LIMITED

CIN : L35202KA1964G0I001530

**DECLARATION BY DIRECTORS / KEY MANAGERIAL PERSONNEL WITH RESPECT TO
RELATED PARTY TRANSACTION**

NAME :

POSITION HELD :

SI No.	Category	Name & Address
1	<u>Relatives</u> a. Members of HUF b. Name of Spouse c. Name of Father including step-father, if any d. Name of Mother including step-mother, if any e. Name(s) of Son including step-son, if any f. Name of Son's Wife g. Name(s) of Daughter h. Name of Daughter's Husband i. Name(s) of Brother including step-brother, if any j. Name(s) of Sister including step-sister, if any	
2	Name(s) of firm, in which a Director is a partner	
3	Name(s) of private company in which the Director is a member or Director	
4	Name(s) of public company in which a Director is a Director or holds along with his relatives more than 2 % of its paid-up share capital.	
5	Name(s) of body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a director.	
6	Name(s) of person(s) on whose advice, directions or instructions, not being in a professional capacity, a Director is accustomed to act.	

Illustrative examples for approval of the Audit Committee

- Giving of loan ; corporate guarantee or letter of comfort in connection with Loan, letter of comfort not in connection with Loan
- Receipt and issue of Bank Guarantees
- Equity contribution in cash or kind
- Consultancy services provided by BEML to the JVs and subsidiaries
- Leasing of property of any kind
- Sending of person on deputation to Subsidiary / Associate / JVs
- Selling or otherwise disposing of or buying, property of any kind
- Appointment of any agent for purchase or sale of goods, materials, services or property
- Transfer of assets including plant and equipment to any subsidiary or JV Company
- Sale, purchase or supply of any goods or service
- Rendering any service.