

BHARAT FORGE



BHARAT FORGE LIMITED

RELATED PARTY TRANSACTION POLICY

(Revised w.e.f. April 01, 2022)



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1. Preamble

The Board of Directors (the “Board”) of Bharat Forge Limited (the “Company”) has adopted the following policy and procedures (“**Policy**”) with regard to Related Party Transactions (hereinafter referred as “RPT”) that the Company may enter into with the Related Parties from time-to-time, in compliance with Applicable Laws.

The Board of Directors will review and amend this Policy from time-to-time as and when necessary or required. The Audit Committee/Board/Shareholders, as applicable, shall, subject to requirements of Applicable Laws and this Policy review, approve and ratify (if permissible), the RPTs in terms of the requirement of this Policy.

2. Objective and Applicability

This Policy is intended to ensure proper approval, reporting and disclosure processes for RPTs and also review and approval of Material RPTs and subsequent material modifications thereto.

This Policy is applicable to Bharat Forge Ltd. and its Subsidiary Companies. The overseas Subsidiaries of the Company shall also adopt RPT policy consistent with the laws applicable to each of them and this Policy to the extent applicable.

3. Definitions

Except for the terms defined below or elsewhere in this Policy, capitalized terms used in this Policy but not defined herein shall have the respective meaning assigned to such term in the Companies Act, 2013 and/ or the Rules made thereunder and/ or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/ or relevant Accounting standards, as amended from time to time.

3.1 “**Act**” shall mean the Companies Act, 2013 and includes any amendment thereof.

3.2 “**Regulations**” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and includes any amendment thereof.

3.3 “**Accounting Standards**” shall mean the standards of accounting or any addendum thereto for companies or class of companies referred to in section 133 of the Act.

3.4 “**Applicable Laws**” shall for the purpose of this Policy mean, (i) the Act; (ii) Regulations and (iii) Accounting Standards

3.5 “**Material Modification(s)**” shall mean any of the following:



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B H A R A T F O R G E

- a. Any modification in the terms of an existing RPT resulting in financial implication to the extent of 25% or more of the value of such RPT;
- b. Any RPT ceasing to be on arm's length basis;
- c. Any other criteria as may be determined by the Audit Committee on case-to-case basis.

3.6 "**Material RPT**" means an RPT with thresholds as prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4. Reporting

Except as otherwise provided in this Policy but subject to the provisions of Applicable Laws, all RPTs and subsequent Material Modifications shall be reported to, and placed for prior approval of the Audit Committee/ Board/ Shareholders (as the case may be) in accordance with this Policy.

4.1. Identification of Potential RPT

- a. The Company Secretary shall, at all times, maintain an updated database of Company's Related Parties mapped in accordance with the provisions of Applicable Laws, and such list shall be reviewed quarterly.
- b. The Company Secretary shall also procure the list of Related Parties of Subsidiaries from the respective officials/ Key Managerial Personnel ("KMP") of such Subsidiaries.
- c. The Company Secretary shall collate the information, coordinate and send the consolidated Related Party list to the Functional Heads, Branch Heads, the Finance & Accounts Department or any other officials who he/she believes might be in the position to know the possible conduct of RPTs including authorized representative of Subsidiary companies (hereinafter referred as "RPT Process Owner").
- d. The RPT Process Owner shall, at all times, maintain a database of applicable Related Parties containing the names of individuals and companies in accordance with this Policy, along with their personal/company details including any revisions therein.
- e. Before entering into any transaction with Related Party(s), RPT Process Owner shall submit the details of the proposed RPT (including any subsequent Material Modifications thereto) to the Company Secretary for taking approval of the Audit Committee/Board/Shareholders of the Company, as may be required. The details of proposed RPT shall contain nature of transaction, principle terms & conditions, justification that the transactions are on arms' length basis and in an ordinary course of business, if so. Where such transaction are omnibus in nature, before



KALYANI

B H A R A T F O R G E

the commencement of the relevant financial year, the RPT Process Owners shall identify such RPTs and provide the details to the Company Secretary for prior Audit Committee approval of the Company.

- f. Based on the details furnished by RPT Process Owner, the Company Secretary shall appropriately take up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the Respective RPT Process Owner.
- g. If there is any Material Modification in terms and conditions of the approved RPT, RPT Process Owner shall intimate to the Company Secretary with details of the proposed modification for taking prior approval of such Material Modification from the Audit Committee/ Board/ Shareholders of the Company as the case may be.
- h. Each Director/KMP shall be responsible for providing written notice to the Company Secretary of any potential RPT involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary shall, in consultation with other members of the senior management and with the Audit Committee, as appropriate, determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.
- i. Where any Director/ KMP, who is not so concerned or interested at the time of entering into any contract or arrangement, he or she shall, if he or she becomes concerned or interested after the contract or arrangement is entered into, disclose his or her concern or interest forthwith when he or she becomes concerned or interested or at the first meeting of Board held after he or she becomes so concerned or interested.
- j. A contract or arrangement entered into by the Company without disclosure or with participation by a Director / KMP 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.
- k. The Company strongly prefers to receive such notice of any potential RPT and/ or any subsequent Material Modifications in the RPTs approved well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of RPT after its commencement or even its completion may be appropriate in some circumstances.

4.2. Standards for Review

A RPT reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee or the Board or the Shareholders in the General Meeting, 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



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the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- a. the Related Party's interest in the RPT;
- b. the amount involved in the RPT;
- c. whether the RPT was undertaken in the ordinary course of business of the Company;
- d. whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- e. the purpose of and the potential benefits to the Company from the RPT, its related parties and/ or its subsidiaries;
- f. whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transaction, if any;
- g. whether the RPT includes any potential reputational risk issues that may arise as a result of or in connection with the RPT;
- h. whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- i. required public disclosure, if any; and
- j. Any other information regarding the RPT 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 RPT. The Audit Committee or the Board, as applicable, may approve or ratify or recommend to the Shareholders the RPT or any subsequent Material Modifications to the RPT already approved, only if the Audit Committee and/ or the Board, as applicable, determine that, under all of the circumstances, the transaction is fair and reasonable to the Company.

4.3. Procedures for review and approval of Related Party Transactions

- a. The Audit Committee shall undertake an evaluation of each RPT and subsequent Material Modification in the RPTs already approved. If such evaluation indicates that the proposed transaction is not in the ordinary course of business and / or not at arm's length basis, then the Audit Committee shall report such RPTs, together with a summary of material facts, to the Board for its approval.
- b. If the Audit Committee is of the view that the RPT and its subsequent Material Modification is Material RPT or the RPT is not in Ordinary Course of Business or not on Arm's length basis and crosses threshold limit as prescribed under the Act and needs to be approved at a general meeting of the Shareholders, then the same shall be placed for prior approval of the Shareholders of the Company.
- c. A RPT 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 the



KALYANI

BHARAT FORGE

thresholds as prescribed under the Applicable Laws, shall require the prior approval of the Audit Committee of the Company.

- d. If in case prior approval of the Audit Committee or the Board or the Shareholders in general meeting, as applicable, for entering into a RPT or subsequent Material Modification is not feasible/not obtained, then the RPT shall be ratified by the Audit Committee / the Board / Shareholders in the general meeting or by any other means as may be permissible under the Applicable Laws, if required, within three (3) months of entering into such a RPT.
- e. In the event the Audit Committee or the Board or the General Meeting determines not to ratify a RPT as stated in (d) above which has been already acted upon by the Company, then the Committee or the Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of such RPT or approve modifications to such RPT to make it acceptable for ratification. The Audit Committee or the Board shall have an authority to modify or waive any procedural requirements of this Policy so long as such modification or waiver is not inconsistent with the provisions of the Applicable Laws.
- f. No Director or KMP shall participate in any discussion or approval of a RPT for which he or she is a Related Party, except that the Director / KMP shall provide all material information concerning such Related Party Transaction to the Audit Committee or the Board as appropriate.
- g. If the RPTs are repetitive in nature, the Audit Committee may grant omnibus approval in line with this policy.

Procedure for omnibus approval for RPTs

- (i) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- (ii) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval:
 - ❖ Repetitiveness of the transactions (in future and past)
 - ❖ Justification for the need of omnibus approval
- (iii) The maximum value of transaction, in aggregate, which can be allowed under omnibus route in a year shall not be more than 30% of the consolidated annual turnover of the Company as per last audited financial statements.
- (iv) At the time of seeking omnibus approval, the following disclosures shall be made to the Audit Committee:
 - ❖ the name(s) of the Related Party,
 - ❖ nature of transaction and duration of transaction,
 - ❖ maximum amount of transaction that can be entered into,



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- ❖ the indicative base price / current contracted price and the formula for variation in the price, if any; and
- ❖ any other information relevant or important for the Audit Committee to take a decision on proposed transaction.

Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, then the Audit committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction or such higher threshold as may be prescribed in future.

- (v) The Audit Committee, shall review at least on a quarterly basis, the details of RTPs entered into by the Company pursuant to each of the omnibus approval given.
- (vi) Omnibus approval shall not be made for the transactions in respect of selling or disposing of the undertaking of the Company.
- (vii) The omnibus approval shall be valid for a period not exceeding one (1) financial year from the date of approval and shall require fresh approval after the expiry of said financial year.

4.4. Related Party Transactions that shall not require approval

Following transactions shall not require separate approval under this Policy:

- (i) 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
- (ii) the corporate actions by the Company which are uniformly applicable/offered to all Shareholders in proportion to their shareholding such as payment of dividend, subdivision or consolidation of securities, issuance of securities by way of a rights issue or a bonus issue and buy-back of securities.
- (iii) Such other RPT as may be specified by Applicable Laws to be exempt

In case any difficulty or doubt arises in the interpretation of this Policy, the decision of the Chairman of the Audit Committee shall be final.

4.5. Disclosures & Registers

- a. The Company is required to disclose RPTs in the Company's Board's Report to Shareholders of the Company at the Annual General Meeting in accordance with the Applicable Laws.



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- b. Details of all material transactions with Related Parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under the Regulations and the same shall be placed/taken note of before the meeting of the Board of Directors.
- c. The Company shall submit to the stock exchanges disclosures of RPTs in the format and manner as specified by the Board from time to time, and publish the same on its website.
- d. The Company shall also be required to disclose this Policy on its website and web link thereto shall be provided in the Annual Report of the Company.
- e. The Company shall keep and maintain a register either physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of Directors.
- f. Every Director or KMP shall, within a period of 30 (thirty) days of this appointment, or relinquishment of his office in other companies, as the case may be, shall disclose the Company the particulars relating to his/her concern or interest in the other association which are required to be included in the register maintained.

4.6. Amendment in Law

Any subsequent amendment/modification in Applicable Laws in this regard shall automatically apply to this Policy.

Any amendment to this Policy made pursuant to the amendment to the Applicable Laws shall become effective from the date when any such amendment to the Act or Regulations as the case may be notified in the Official Gazette or effective date specifically stated therein.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

For Bharat Forge Limited

B.N. Kalyani
Chairman and Managing Director

Date: February 10, 2022

Place: Pune



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