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[Corporate Identity No.L15420UP1931PLC065243](#)

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# Related Party Transactions Policy

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## POLICY & STANDARD OPERATING PROCESS

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# RELATED PARTY TRANSACTIONS POLICY

## 1. Introduction

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI LODR Regulations 2015”) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (the “Board”) of Bajaj Hindusthan Limited (the “Company” or “BHL”), has adopted a policy and standard operating procedures to regulate transactions between the Company and Related Parties.

## 2. Applicability and effective date

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

Transactions covered by this policy include any contract or arrangement with a related party with respect to transactions defined hereunder as “Related Party Transaction”.

**Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and on an arm’s length basis shall not require any approval of the Audit Committee/ Board of Directors of the Company except in the case of Specific Transactions, which shall be subject to prior approval of the Audit Committee.**

**Provided further that, any transaction entered into by the Company with Related Party in its ordinary course of business and on an arm’s length basis, except Specific Transactions for which proper procedure shall be followed as provided under this Policy, shall be periodically disclosed to the Board.**

This policy will be applicable to the Company effective from February 03, 2016.

Similar Policy framed pursuant to Clause 49 of the Listing agreement will cease to have effect.

## 3. Scope and Purpose

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

## **4. Definitions**

**"Arm's length Transactions"** means a transaction between two related parties that is conducted as if they are unrelated so that there is no conflict of interest.

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

**"Board"** means Board of Directors of the Company

**"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**"Ordinary course of Business"** means a transaction which is:-

- (i) Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- (ii) Historical practice with a pattern of frequency; or
- (iii) Common commercial practice; or
- (iv) Meets any other parameters/criteria as decided by Board/Audit Committee.

**"Material Related Party Transaction"** means a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

**"Policy"** means Related Party Transaction Policy.

**"Related Party"** means related party as defined in Regulation 2(zb) of SEBI LODR Regulations 2015 which is as follows:

- A. Such entity is a related party under Section 2(76) of the Companies Act, 2013; which are as follows:
  - (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 is a member or director ;

- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent 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 under whose advice, directions or instructions a director or manager is accustomed to act :
- Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity ;
- (viii) any company which is –
    - (a) a holding, subsidiary or an associate company of such company ; or
    - (b) a subsidiary of a holding company to which it is also a subsidiary ;
  - (ix) Director or key managerial personnel of the holding company or his relative with reference to a company;

Or

B. Such entity is a related party under the applicable accounting standards."

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

"Explanation: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract."

**“Relative”** means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

## **5. Policy**

### **5.1 Details required for ascertaining Related Party**

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs’ in form MBP-1.
2. Declaration of relatives by all Directors and KMPs’.
3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.

6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.

7. Declaration by Holding Company regarding its Directors/KMPs' and their relatives.

8. Details of anybody 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 of the Company.

9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no.8& 9 shall apply to the advice, directions or instructions given in a professional capacity.

10. Details of any Company which is

(a) a holding, subsidiary or an associate company of such company; or

(b) a subsidiary of a holding company to which it is also a subsidiary.

## **5.2 Identification of Related Party Transactions**

The Responsible Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

Responsible Person shall collate the information, coordinate and send the Related Party List to the concerned employees which may include CMD, CEO, Business Heads, Branch Heads, the Finance & Accounts Department and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

Functional departmental heads shall submit to the CFO and Company Secretary the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this note, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator. The suggested list of records and supporting documents is detailed separately in this policy.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

## **5.3 Review and approvals of Related Party Transactions**

*A. Audit Committee approval require for all Related party transactions:*

As per approved terms of reference of Audit Committee by the Board, all Related Party Transactions, except which are entered in Ordinary Course of business and on arm's length and all Specific Transactions must be reported/referred to the Audit Committee of Directors for its approval/ ratification. Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and all Specific Transactions, shall be accompanied with Management's justification for the same. Before approving such transactions, the Committee will look into the interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits. The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. 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.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (i) the name/s of the related 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 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.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. 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. *Shareholders' approval require for all Material Related Party Transactions:***

All material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions.

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."

***Exemptions:*** Audit Committee and Shareholders approval are not required in case of 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.

#### **5.4 Rules for Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Specific Transactions**

Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.

The Responsible Person shall ensure that details of such transactions are brought to the notice of Chairman & Managing Director and /or any other person so authorized and discussed with the Board at the next following meeting, as may be required.

Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Responsible Person to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

#### **5.5 Related Party Transactions not Previously Approved**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of 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 Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, 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.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.



## **6. Disclosures**

Particulars of Contracts and arrangements with Related Party covered under this policy requiring shareholders approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

### **6.1 Exemptions**

Nothing contained in in this policy shall apply to any contract or arrangement—

- (i) in the ordinary course of its business; or
- (ii) at arms' length price.
- (iii) between the Company and any other partner of the firm in which Director/Manager/Relative is a partner.
- (iv) service availed in a professional capacity from body corporate/person.
- (v) Contract with a private or public company in which relative of a director/manager is a director/member.
- (vi) The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company:
  - (a) transaction(s) done in ordinary course of business at arm's length;
  - (b) receipt of remuneration by way of sitting fees;
  - (c) re-imbursement of expenses for attending board and other meetings;
  - (d) any profit related commission as approved by members.

### **6.2 Registers**

The Company shall keep and maintain a register, maintained 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.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained. from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary /Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

### **6.3 Records relating to Related Party/ Supporting documents**

#### **(a) Rent Agreement**

- (i) Copy of draft agreement.
- (ii) Quotation from a property dealer/ advisor in the area in which the property is located or a nearby area.

(iii) If quoted prices are substantially lower / higher than existing, to seek second quotation.

**(b) Purchase/ sale of property**

- (i) Valuation reports from at least 2 independent valuers to ascertain Fair Market Value.
- (ii) Quotations from 2 independent property dealers/brokers.
- (iii) Draft copy of agreement to sell/Draft of proposed sale deed.
- (iv) Brief terms and conditions and justification of such transaction.

**(c) Purchase/sale of material, goods etc.**

- (i) Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange / bills/ invoices etc.
- (ii) Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (iii) Quotation from un-related service provider.

**(d) Availing/ Rendering Services**

- (i) Copy of Agreement/ MOU/ Correspondence etc.
- (ii) Supporting documents justifying the transaction on arms' length basis.

**(e) Loans/ Advances given or Taken**

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act,
- (ii) Agreements
- (iii) Statutory approvals wherever required.
- (iv) Rate of Interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the Loans/Advances (wherever applicable).

**(f) Subscription to shares/debentures/securities**

- (i) Valuation Report or documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.

**(g) Guarantee/ Securities**

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rule thereunder.
- (ii) Agreements.
- (iii) Other documents justifying the same.

**(h) Other transactions**

- (i) Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

**6.4 Disclosures -**

1. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
2. The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.
3. The company shall disclose the policy on dealing with Related Party Transactions on its website

and a web link thereto shall be provided in the Annual Report.

## **7. Policy Review and Amendments**

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and SEBI LODR Regulations 2015 and must be approved in the manner as may be decided by the Board of Directors.

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