

MENON BEARINGS LIMITED

Governance Series

Policy on Dealing with Related Party Transactions

[Regulation 23 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and also provisions of the Companies Act, 2013]

1. **Applicability**

This policy will be applicable to regulate transactions between the Company and its Related Parties based on the applicable laws, rules and regulations.

2. **Purpose**

This policy is framed as per requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

3. **Definitions**

"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 purpose of this clause,-

(a) the expression "significant influence" means control of at least 20 % of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

"Audit Committee" means Committee of the Board constituted from time to time under the provisions of Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013.

"Board" means the Board of Directors of Menon Pistons Limited;

"Key Managerial Personnel" means Key Managerial Personnel (KMP) as defined in Section 2(51) of the Companies Act, 2013 as under:

- (i) the Chief Executive Officer or Managing Director or Manager;
- (ii) the Whole-time Director;
- (iii) the Company Secretary;
- (iv) the Chief Financial Officer;
- (v) such other officer as may be prescribed

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), as amended from time to time.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

Dealing with Related Party Transactions

I. Approval by Audit Committee

All Related Party Transactions (RPTs) (including any subsequent modifications thereof) shall require prior approval of the Audit Committee of Directors.

A] SCOPE OF REVIEW OF RELATED PARTY TRANSACTIONS BY AUDIT COMMITTEE:

As per the SEBI Listing Regulations, w.e.f. April 01, 2022, all related Party Transactions [and subsequent material modifications] shall require prior approval of the Audit Committee.

‘Material Modification’ in any approved Related Party Transaction shall mean any deviation of 25% or more in any of the condition of the Related Party Transactions which have been pre-approved by the Audit Committee of the Company (MENON BEARINGS LIMITED).

Following information shall be provided to the Audit Committee of Directors for reviewing any item on Related Party Transactions:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with MENON BEARINGS LIMITED 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. The percentage of the MENON BEARINGS LIMITED’s annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary’s annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by MENON BEARINGS LIMITED or its subsidiary:
 - i. Details of the source of funds in connection with the proposed transaction;
 - ii. Where the financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - Nature of Indebtedness
 - Cost of Funds
 - Tenure

- iii. Applicable Terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of securities; and
- iv. The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT
- g. Justification as to why the RPT is in the interest of MENON BEARINGS LIMITED;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

[B] THE AUDIT COMMITTEE OF DIRECTORS MAY GRANT 'OMNIBUS APPROVAL' FOR THE RPTS PROPOSED TO BE ENTERED INTO BY THE COMPANY

- The Audit Committee may grant omnibus approval for certain category of related party transactions proposed to be entered into by the Company.
- The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 - Repetitiveness of the transactions (in past or in future);
 - Justification for the need of omnibus approval.;
 - Satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
- The proposal for Omnibus Approval placed before the Audit Committee shall include the following information: -
 - Name of the related parties;
 - Nature and duration of the transactions;
 - The Period of Transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price or current contracted price and the formula for variation in the price, if any;
 - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

The Audit Committee may seek any addition information as may be deemed necessary by the Committee while considering the proposal for granting omnibus approval.

- In case the need for related party transaction cannot be foreseen and the aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of such one year.
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- Any other conditions as the Audit Committee may deem fit.
- A Memorandum on quarterly basis shall be placed before the Audit Committee for review of each omnibus approval granted by the Audit Committee.

- REVIEW OF RELATED PARTY TRANSACTIONS BY SUBSIDIARY COMPANIES OF MENON BEARINGS LIMITED BY AUDIT COMMITTEE:

A related party transactions to which the subsidiary of MENON BEARINGS LIMITED is a party, but MENON BEARINGS LIMITED is not the party, shall require prior approval of the Audit Committee of MENON BEARINGS LIMITED, if the value of such transactions whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the Annual Standalone turnover, as per the last audited financial statements of the subsidiary.

II. Approval by Board of Directors

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board, MENON BEARINGS LIMITED shall not enter into any contract or arrangement with a related party with respect to -

- i. Sale, purchase or supply of any goods or materials;
- ii. Selling or otherwise disposing of, or buying, property of any kind;
- iii. Leasing of property of any kind;
- iv. Availing or rendering of any services;
- v. Appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii. Underwriting the subscription of any securities or derivatives thereof, of the company;

Provided that nothing of the above shall apply to any transactions entered into by Menon Bearings Limited in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation -

The expression "office or place of profit" means any office or place -

1. Where such office or place is held by a director, if the director holding it receives from MENON BEARINGS LIMITED anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
2. Where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from MENON BEARINGS LIMITED anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

The expression "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.

III. Approval by Shareholders

1. Except with the prior approval of the company by a special/ordinary resolution, as may be specified from time to time under the Companies Act, 2013 or SEBI Listing Regulations, MENON BEARINGS LIMITED shall not enter into a transaction(s) with the Related Party, where the transaction(s) to be entered into:
 - a. As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 of the Companies Act 2013, with criteria as mentioned below -
 - i. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - ii. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

- iii. Leasing of property of any kind amounting to 10% or more of the net worth of the company or 10% or more of turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
- iv. Availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the company, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation -

It is hereby clarified that the limits specified in sub-clauses (i) to (iv), as above, shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- b.** Is for appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2.5 lakh as mentioned in clause (f) of subsection (1) of section 188; or
- c.** Is for remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:

The Turnover or Net Worth referred above shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

In case of a wholly owned subsidiary, the special / ordinary resolution, as the case may be passed by the MENON BEARINGS LIMITED shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and MENON BEARINGS LIMITED.

- 2. Further, as per SEBI Listing Regulations, a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees 1000 Crore or 10 % of the annual consolidated turnover of MENON BEARINGS LIMITED as per the last audited financial statements of the listed entity, whichever is lower.
- 3. All Material Related Party Transactions and subsequent 'Material Modifications' as defined above shall require prior approval of the shareholders through ordinary / special resolution (as may be applicable from time to time) and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- 4. All the related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.
- 5. Following Information shall be provided to shareholders for consideration of agenda on Related Party Transactions as under:

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- ✓ A summary of the information provided by the management of Menon Bearings Limited to the Audit Committee;
- ✓ Justification for why the proposed transaction is in the interest of Menon Bearings Limited;
- ✓ A statement that the valuation or other external report, if any, relied upon by Menon Bearings Limited in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- ✓ Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- ✓ Any other information that may be relevant.

Exemption:

Approval of Board and Shareholder's, will not be applicable in the following cases:

- ❖ 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.

Approval of Audit Committee will not be required in the following case:

- ❖ Transactions between a Holding Company and its Wholly Owned Subsidiary.
- ❖ Transactions between a two wholly Owned Subsidiaries of the listed holding Company.

Disclosure Requirements

Disclosure by Board of Directors, KMP and Senior Management

Every Director shall at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding.

Every KMP shall disclose to the Board of Directors, whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting MENON BEARINGS LIMITED.

Every Member of Senior Management shall make disclosures to the Board of Directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

Explanation.- For the purpose of above:

"Conflict of Interest" relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.

"Senior Management" shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the executive directors, including all functional heads.

Disclosure on Website of MENON BEARINGS LIMITED

MENON BEARINGS LIMITED shall disclose the Policy on dealing with Related Party Transactions on its website and a web-link shall be provided in the Annual Report of MENON BEARINGS LIMITED.

Disclosure in Board's Report

Every contract or arrangement entered into by MENON BEARINGS LIMITED requiring Board's and Company's approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

Disclosure of half year related party transactions to stock exchanges

Details of all related party transactions shall be disclosed on half yearly basis to the Stock Exchanges where the securities of Menon Bearings Limited are listed.