

**BKM INDUSTRIES LTD**  
**POLICY ON MATERIALITY OF RELATED PARTY**  
**TRANSACTIONS AND ON DEALING WITH**  
**RELATED PARTY TRANSACTIONS**

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## I. PREAMBLE:

**BKM Industries Ltd** (hereinafter referred to as “Company”) in consonance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI LODR”) (as amended) and applicable provisions of the Companies Act, 2013 and the rules made thereunder ( hereinafter referred to as “Act”) has formulated and amended periodically in consonance to the prevailing regulations its **Related Party Transactions Policy** (hereinafter referred to as “Policy”) that outlines the principles and guidelines governing transactions between the Company and its related parties, including subsidiaries, associate companies, joint ventures, affiliates, Directors, relatives of Directors, executives, and any entities under common control.

## II. PURPOSE

The policy is designed to ensure that all related party transactions are conducted with transparency, fairness, and in the best interest of the Company and its Shareholders, while complying with applicable laws and regulations. It aims to mitigate potential conflicts of interest, promote good governance and safeguard the Company’s reputation by ensuring such transactions are properly reviewed, approved and disclosed.

This policy also applies to all employees, officers and Directors and provides a framework for identifying, approving and monitoring related party transactions, ensuring that these transactions do not undermine the integrity of financial reporting or the Company’s ethical standards.

## III. DEFINITIONS

1. **“Related Party”** means related party as defined under Section 2(76) of the Companies Act, 2013 and the rules framed thereunder or under the applicable accounting standards:

The following shall also be treated as the Related Party –

- a) all persons or entities forming part of promoter or promoter group (including entities over which the promoter or promoter group may have control or significant influence) irrespective of their shareholding;
  - b) any person/entity holding equity shares of 10% or more in the listed entity, either directly or on a beneficial interest basis at any time during the immediately preceding financial year.
2. **“Related Party Transaction (“RPT)”** means transaction in the nature of contract involving transfer of resources, services or obligations between the Company or its subsidiaries on one side and the Related Party on the other side, regardless of whether a price is charged and also transactions the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

Explanation: A “transaction” with a Related Party shall be construed to include single or a group of transactions in a contract.

**The following shall not be termed as related party transaction –**

- a) 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.
  - (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
    - i. payment of dividend;
    - ii. subdivision or consolidation of securities;
    - iii. issuance of securities by way of a rights issue or a bonus issue; and
    - iv. buy-back of securities.
  - (c) retail purchases from any listed entity or its subsidiary by its Directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and Directors.
3. **“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 which, inter alia, means transactions are done in regular course of business at market price.
  4. **“Audit Committee”** means Audit Committee constituted by the Board of Directors of the Company under provisions of SEBI LODR and Companies Act, 2013 as amended from time to time.
  5. **“Board of Directors”** (‘Board’) means the Board of Directors of the Company.
  6. **“Material Related Party Transaction”** in terms of SEBI LODR means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:
    - (i) involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements; and
    - (ii) in case of any other transaction(s), if the amount exceeds Rs. 1000 crores or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.
  7. **“Material Modification”** in terms of SEBI LODR means any modification(s) in the pricing, quantity or overall transaction value having a variance of 50% or more, in comparison to latest approved related party transaction.

8. **“Subsidiary Company” or “subsidiary”**, in relation to any other Company (that is to say the holding Company), means a Company in which the holding Company -
- (i) controls the composition of the Board of Directors; or
  - (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

9. **“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:

- (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.
10. **“Control”** shall have the same meaning as defined in the Companies Act, 2013 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

#### IV. POLICY OF THE COMPANY:

1. All contracts/arrangements shall adhere to the requirement of the SEBI LODR, provisions of the Act and the Accounting Standards.
2. All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee provided that only those members of the audit Committee, who are independent Directors, shall approve related party transactions including transactions entered into under omnibus approval of the Audit Committee. Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary, subject to conditions as laid down in Regulation 23(3) of the SEBI LODR and Section 177 of the Act.

Provided, however, that the following transactions which are not material, though related party transaction, are exempted and shall not come under ambit of any approval from the Audit Committee or the Board:

- i. Remuneration and sitting fees paid by the listed entity or its subsidiary to its Director, Key Managerial Personnel or senior management, except who is part of promoter or promoter group; or
  - ii. Any other payment as may be permitted by SEBI LODR or other applicable laws from time to time and shall be deemed to be modified in this policy.
3. All the related party transactions/contracts / arrangements which are in ordinary course of business and on arms' length basis shall come under the purview of Omnibus Approval. However, in case of the contracts or arrangements with related party either not in the ordinary course of business or not at arms' length, the Company would comply with the respective provisions of SEBI LODR and the Act.
  4. The Audit Committee shall review, at least on quarterly basis the details of related party transactions entered into by the listed entity or its subsidiaries pursuant to each of the Omnibus approval given. The Internal Auditors shall provide certificate to Audit Committee to the extent of adherence to the related party transactions done by the Company as permitted by the Audit Committee and/or the Board.

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

5. All the material related party transactions and material modifications thereto other than exempted cases/ transactions under sub-regulation (5) of regulation 23 of SEBI LODR shall require prior approval of shareholders and no related party shall vote to approve such resolution whether the entity is related party to the particular transaction or not.
6. (a) A related party transaction to which the **Unlisted Subsidiary** of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit Committee of the listed entity if the value of such transaction 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;

(b) Prior approval of the audit Committee of the listed entity shall not be required for a related party transaction to which the **Listed Subsidiary** is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR are applicable to such listed subsidiary.

**Explanation:** For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (b) above, the prior approval of the audit Committee of the listed subsidiary shall suffice.

(c) The members of the audit Committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit Committee, whichever is earlier, subject to the following conditions:

- (i) the value of the transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1.00 crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of regulation 23;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of regulation 23;
- (v) any other condition as may be specified by Audit Committee from time to time and shall be deemed to be modified in this policy.

Provided that failure to seek ratification of the audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any Director or is authorised by any other Director, the Director(s) concerned shall indemnify the listed entity against any loss incurred by it.

7. In case the market price of any transactions/arrangements are not available or cannot be ascertained and could not be executed with outsiders due to secrecy of the nature of products or formula, such transactions shall be done as far as possible to the nearing market price and after citing justification to the Audit Committee for such transaction and necessity.
8. Audit Committee shall lay down the criteria for granting the omnibus approval based on the following conditions:
  - (a) repetitiveness of the transactions (in past or in future);
  - (b) justification for the need of omnibus approval;
  - (c) transaction made on arm's length basis i.e. at market price.
  - (d) any other conditions as may be deemed fit in the interest of the Company.

The omnibus approval shall specify:

- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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.

In case if 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. 1.00 crore per transaction.

The audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

**9. The Audit Committee / Shareholders shall approve the proposed RPT on review of following information:**

**(A) Information to be reviewed by the Audit Committee for approval of RPTs**

(i) The Company shall provide the following information, for review of the audit committee for approval of proposed RPTs :

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity 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 listed entity'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 the listed entity or its subsidiary:
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;



- iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification the RPT (whether it is in the interest of the Company);
- h. A copy of the valuation or other external party report 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.

**(B) Information to be provided to shareholders for consideration of RPTs**

(i) 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. A summary of the information provided by the management of the listed entity to the Audit Committee as specified in foregoing Para (A)(i) ;
- b. Justification for why the proposed transaction is in the interest of the listed entity;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified in foregoing Para (A)(i)(f) ;
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

(ii) The explanatory statement contained in the notice sent to the shareholders for seeking approval for an RPT shall provide relevant information so as to enable the shareholders to take a view whether the terms and conditions of the proposed RPT are not unfavourable to the listed entity, compared to the terms and conditions, had similar transaction been entered into between two unrelated parties. The information so provided shall include but not be limited to the information specified above.

10. RPTs for which the Audit Committee has granted omnibus approval shall be placed before the shareholders **if it is material in terms of regulation 23(1)** of the SEBI LODR.

The shareholders' approval for material omnibus RPTs granted in an **AGM** shall be valid upto the date of the next AGM or a period not exceeding fifteen months, whichever is earlier.

However, the omnibus shareholders' approval for material RPTs granted in general meeting(s) (**other than AGM**) shall be valid for a period of one year.

11. In case any contract or arrangement is entered into by a Director or any employee, without obtaining the consent of the Board (in respect of transactions which are either not in the ordinary course of business or not at arms' length) or without obtaining approval in General Meeting (in respect of material related party transactions which are either not in the ordinary course of business or not at arms' length) due to any reasonable inability to seek approval for such contract or arrangement, it shall be ratified by the Board or by the shareholders at General Meeting, as may be applicable, within 3 months from the date on which such contract or arrangement was entered into otherwise such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

## **V. DISCLOSURE & TRANSPARENCY REQUIREMENTS**

1. The Company shall disclose on quarterly basis the information with respect to related party transactions as required in the compliance report on corporate governance under Regulation 27(2).
2. The Company shall submit information related to RPTs to the stock exchanges every six months, in the format specified by the SEBI LODR, simultaneously with the publication of financials and also publish the same on its website.

Provided that the remuneration and sitting fees paid by the Company or its subsidiary to its Director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure provided that the same is not material in terms of the provisions of sub-regulation (1) of regulation 23 of SEBI LODR.

3. The Company shall disclose policy on dealing with Related Party Transactions on its website and its web-link shall be disclosed in the Annual Report.
4. This Policy shall be communicated to all the Directors, employees and other concerned persons of the Company.

**VI. POLICY REVIEW**

The policy shall be reviewed by the Board at least once in every 3 years and shall be updated accordingly.

In case of any subsequent changes/ modifications/ alterations in the provisions of the Act, SEBI LODR or any other SEBI regulations (hereinafter collectively referred to as “Law”) which makes any of the provisions in the policy inconsistent with provisions of the Law, the latter would prevail over the Policy and the provisions in the policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.

The Policy has been reviewed by the Board in its meeting held on 13<sup>th</sup> February, 2025 and the modifications has been updated accordingly.