



BHARAT HEAVY ELECTRICALS LIMITED

**POLICY ON RELATED PARTY TRANSACTIONS,
MATERIALITY OF RELATED PARTY
TRANSACTIONS
AND
MATERIAL SUBSIDIARIES**

Effective from 01.04.2025

CONTENTS

1.0	INTRODUCTION	3
2.0	APPLICABILITY	3
3.0	SCOPE AND PURPOSE	3
4.0	DEFINITIONS	3
5.0	REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS	5
5.1	Board Level Audit Committee	5
5.2	Board of Directors and Shareholders	6
5.3	Exemptions under the Companies Act, 2013 and SEBI Listing Regulations 2015	6
6.0	DISCLOSURES	7
7.0	LIMITATIONS	7
8.0	POLICY ON MATERIAL SUBSIDIARIES	7
9.0	REVIEW OF THE POLICY	7

1.0 INTRODUCTION:

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have laid down extensive requirements to be fulfilled in case of Related Party Transactions including the requirement to formulate a Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions. Further, it is also required to formulate a policy for determining 'material' subsidiary. Accordingly, the Company adopted this Policy dealing with the identification, review and approval of Related Party Transactions and material subsidiaries.

In line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereof, the Board hereby adopts the revised "Policy on Related Party Transactions, Materiality of Related Party Transactions and Material Subsidiaries" of BHARAT HEAVY ELECTRICALS LIMITED, which shall come into force with effect from 1st day of April, 2025 unless otherwise specified in the Policy.

2.0 APPLICABILITY:

This Policy shall be applicable to all Related Party Transactions between the Company and its Related Parties as well as its material subsidiaries.

3.0 SCOPE AND PURPOSE:

The Policy has been framed to comply with the applicable provisions of Companies Act, 2013, and of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations). Any subsequent amendment/modification in the applicable provisions of Companies Act, 2013 or the rules made thereunder or in the SEBI Listing Regulations or any other relevant statute in this regard shall be deemed to be automatically incorporated in this Policy.

4.0 DEFINITIONS:

"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) of Section 188 of the Act.

"Board Level Audit Committee" or **"Committee"** means **"Audit Committee"** of the Board of Directors of the Company.

"Board of Directors" or **"Board"** means the collective body of the Directors of the Company.

"Company" or **"the Company"** means Bharat Heavy Electricals Limited or BHEL.

"Material Modifications" shall mean modification of more than 30% in the approved amount of related party transactions.

"Material Related Party Transactions": 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 one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Further, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Public Sector Company” as defined under Rule 2(da) of Securities Contracts (Regulation) Rules 1957 means a body corporate constituted by an Act of Parliament or any State Legislature and includes a government company.

“Policy” means “Policy on Related Party Transactions, Materiality of Related Party Transactions and Material Subsidiaries” of the Company.

“Related Party” means a person or an entity:

- (i) which is a related party under Section 2 (76) of the Companies Act, 2013; or
- (ii) which is a related party under the applicable Indian Accounting Standards

Provided that:

- (a) Any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares of ten percent or more, in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on recognized stock exchange(s).

“Related Party Transactions” or “RPTs”: As per SEBI Listing Regulations, Related Party Transaction means a transaction involving a transfer of resources, services or obligations between:

- (i) Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries;

regardless of whether a price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract:

provided that the transactions as specified in proviso to Regulation 2(1)(zc) of the SEBI Listing Regulations shall not be a related party transaction.

“Subsidiary company” or “subsidiary” shall have the same meaning as defined under sub-section (87) of section 2 of the Act.

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

All other words and phrases in this Policy will have the same meaning as defined under the SEBI Listing Regulations, the Companies Act, 2013, and Indian Accounting Standard as amended from time to time.

5.0 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

The minimum information for review of the Board Level Audit Committee and Shareholders for approval of a Related Party Transaction shall be in accordance with extant SEBI Circular(s)/ Regulations/ Notification (s) in this matter. The responsibility matrix for ensuring compliance for different RPTs will be as per internal operating guidelines issued in this regard.

5.1 Board Level Audit Committee

All Related Party Transactions and subsequent modifications shall have prior approval of the Board Level Audit Committee of the Company including independent Directors-members of the Committee. While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company, or any other relevant matters.

The Board Level Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company or its subsidiary based on the following criteria i.e. RPTs which are (i) repetitive in nature; (ii) in ordinary course of business; (iii) are on arm's length basis, (iv) within the material limits; (v) maximum value per transaction: Rs 10 Crs. and (vi) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a Financial Year is Rs 500 Crs.

Provided that where the need for the RPT cannot be foreseen and requisite details to be submitted for seeking aforementioned omnibus approval are not available, the Board Level Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding Rs 1 Cr. per transaction.

The omnibus approval where granted shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

The Board Level Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.

In case of transaction, other than transactions referred to in section 188 of the Companies Act 2013, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

In case any transaction involving any amount not exceeding Rs. 1 crore is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Company against any loss incurred by it.

A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of shareholders of the listed subsidiary shall suffice.

The following Related Party Transactions are deemed to be approved by the Audit Committee and no separate approval shall be required:

- (i) Any transaction pertaining to appointment and remuneration (including sitting fees) of Directors and KMPs that require approval of the Nomination & Remuneration Committee of the Company and the Board;
- (ii) Advances to Directors/ KMPs as a part of conditions of services extended by BHEL to all its employees;
- (iii) Payments of statutory contributions to various employees' post-employment benefits trusts/ schemes;
- (iv) Payment or receipt of Dividend, interest or any other returns related to approval already accorded for making any investment/ loans etc. with Related Parties;
- (v) Deputation/ secondment of employees in group companies;
- (vi) Transactions in the nature of reimbursements from/ to Related Parties at actuals; and
- (vii) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the SEBI Listing Regulations 2015.

5.2 Board of Directors and Shareholders

All cases where the Related Party Transactions are not in the ordinary course of business and/or are not on arm's length basis but within the prescribed limits as per the Companies (Meetings of Board & its Powers) Rules, 2014, shall be brought before the Board of Directors for approval through Board Level Audit Committee. Such approval of Board may be obtained at a duly convened meeting.

All (a) Related Party Transactions that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the Company and/ or not on an arm's length basis, (b) Material Related Party Transactions and (c) Material modifications of such material RPTs, shall require prior approval of BHEL shareholders through resolution (after Board's approval).

Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

5.3 Exemptions under the Companies Act, 2013 and SEBI Listing Regulations, 2015:

Approval of Audit Committee shall not be required for a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.

The requirement of passing the resolution by the shareholders shall not be applicable: -

- a) for transactions entered into between two government companies or with Central/ State Government or combination thereof;
- b) for 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.

6.0 DISCLOSURES

All disclosures pertaining to Related Party Transactions required under the Companies Act, 2013 and SEBI Listing Regulations shall be made accordingly.

7.0 LIMITATION

In the event of any conflict between the provisions of this Policy and of SEBI Listing Regulations/ Companies Act, 2013 or any other statutory enactments, rules, then these statutory provisions, as the case may be shall prevail over this Policy and shall be adhered to accordingly by all concerned.

8.0 POLICY ON MATERIAL SUBSIDIARIES

A subsidiary shall be considered as material if the turnover or net worth of the subsidiary exceeds ten per cent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries as per the audited balance sheet of the previous financial year.

The Company shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal or a resolution plan approved under the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Prior approval of shareholders by way of special resolution shall be obtained for selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year unless the sale/ disposal/ lease is made under a scheme of arrangement duly approved by a Court/Tribunal or a resolution plan approved under the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved. However, shareholder approval would not be required if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company.

9.0 REVIEW OF THE POLICY

This policy be reviewed and updated by the Board of Directors at least once in every three years after Audit Committee recommendation.
