

MENON BEARINGS LIMITED

RELATED PARTY TRANSACTIONS POLICY

(As approved and adopted by the Board of Directors in its meeting held on 5th February, 2022, effective from 1st April, 2022)



REGD. OFFICE & WORKS :
MIDC, GOKUL SHIRGAON, KOLHAPUR - 416 234. INDIA
Phones : + 91 231 26 72 279 / 533 / 487 Fax : + 91 231 267 22 78



E-mail : admin@menonbearings.in
Visit us at : [http : // www.menonbearings.in](http://www.menonbearings.in)
CIN : L29130PN1991PLC062352

1. PREAMBLE

The Board of Directors ('Board') of Menon Bearings Limited ('Company') has adopted this Policy and it includes the materiality threshold and the manner of dealing with Related Party Transaction(s) in compliance with the requirements of Section 188 of the Companies Act, 2013 ('Act') read with relevant rules made thereunder and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ('Listing Regulations').

This Policy applies to transaction(s) between the Company and one or more of its related parties. It provides a framework for governance and reporting of the related party transaction(s) including material transaction(s).

2. OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transaction(s) between the Company and any of its related parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of related party transaction(s) in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

3. DEFINITIONS

- 3.1 "Audit Committee or Committee" means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of the Listing Regulations and Section 177 of the Act.
- 3.2 "Board" means the Board of Directors of the Company as defined under the Act.
- 3.3 "Key Managerial Personnel" means Key Managerial Personnel as defined under Section 2(51) of the Act.
- 3.4 "Material Related Party Transaction" means related party 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; or such limits as may be prescribed under the Act or the Listing Regulations from time to time.

REGD. OFFICE & WORKS :
MIDC, GOKUL SHIRGAON, KOLHAPUR - 416 234. INDIA
Phones : + 91 231 26 72 279 / 533 / 487 Fax : + 91 231 267 22 78



E-mail : admin@menonbearings.in
Visit us at : <http://www.menonbearings.in>
CIN : L29130PN1991PLC062352



Notwithstanding the above, a transaction involving payment(s) 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 transaction(s) 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.

3.5 "Material Modifications" shall mean modification(s) in an approved related party transaction resulting in variation and having an impact on the monetary limits exceeding 20% of such transactions in value terms, or any variation in significant terms of agreement such as terms of delivery, credit period, extension of warranty period and the like or such other modifications as may be determined by the Audit Committee from time to time.

3.6 "Related Party" means a related party as defined under Section 2(76) of the Act Regulation 2(1)(zb) of the Listing Regulations and the applicable accounting standards, as amended from time to time.

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:

(i) of twenty per cent or more; or

(ii) of ten per cent or more, with effect from 1st April, 2023;

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediate preceding financial year;

shall be deemed to be a related party.

3.7 "Related Party Transaction" means:

- I. any transaction between the Company and any related party for transfer of resources, services or obligations, regardless of whether a price is charged and include:
 - a. Sale, purchase or supply of any goods or materials;
 - b. Selling or otherwise disposing of, or buying property of any kind;
 - c. Leasing of property of any kind;
 - d. Availing or rendering of any services;
 - e. Appointment of any agent for the purchase or sale of goods, materials, services or property;
 - f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
 - g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
 - h. Financing (including loans and equity contributions in cash or kind);
 - i. Providing or obtaining guarantees and collaterals; and
 - j. Deputation of employee(s).

- II. transaction involving a transfer of resources, services or obligations between:
- (i) the 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) with effect from 1st April, 2023, the 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 following shall not be a 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 Company 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.

(The above is an indicative list and not an exhaustive one).

3.8 "Relative" means a relative as defined under Section 2(77) of the Act and Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014, which include:

- a. Members of a Hindu Undivided Family;
- b. Husband or wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).



3.9 "Transaction" with a related party shall be construed to include a single transaction or a group of transactions.

3.10 The terms Director and Key Managerial Personnel shall have the same meaning as assigned under the Act.

4. FRAMEWORK OF THE POLICY

4.1 IDENTIFICATION OF RELATED PARTY TRANSACTIONS

4.1.1 Every Director and Key Managerial Personnel will be responsible for providing declaration as per format prescribed in form MBP -1 - Notice of interest pursuant to Section 184 of the Act read with Rule 9(1) of the Companies (Meetings of Board and its Powers) Rules, 2014 containing the following information to the Company on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director or holds along with his / her Relatives more than 2% of the paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

4.1.2 Every Director and Key Managerial Personnel shall also be responsible to update any change(s) in the above information to the Company immediately becoming aware of such changes.

4.1.3 The Company Secretary shall be responsible to maintain an updated database of information pertaining to related parties reflecting details of -

1. All Directors and Key Managerial Personnel;
2. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding Company, subsidiary companies and associate companies;
4. Subsidiaries of holding Company;
5. Director or Key Managerial Personnel of the holding Company or their Relatives;
6. All group entities; and

7. Any other entity which is a Related Party as defined under Section 2(76) of the Act read with Regulation 2(1)(zb) of the Listing Regulations or the relevant Accounting Standard.

4.1.4 The database shall be updated whenever necessary and shall be reviewed at least once a year by the Company Secretary. The functional / business heads / Chief Financial Officer / Company Secretary shall have access to the updated database.

4.1.5 Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential related party transaction. They will also be responsible for providing additional information about such transaction that the Board / Committee may require, for being placed before them. Based on this Notice, the Company Secretary will take up the potential related party transaction for necessary approvals as required under this Policy.

4.1.6 The suggested details and list of records and supporting documents which are required to be provided along with the agenda of meeting of the Committee / Board considering the proposed related party transaction are provided in Annexure 1 to this Policy.

4.1.7 The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal / transfer pricing expert and the opinion of such external legal / transfer pricing expert shall be brought to the notice of the Committee / Board.

4.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

4.2.1 The Audit Committee shall review and approve all related party transactions and subsequent material modification(s) thereto in accordance with this Policy.

Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions or subsequent material modification(s) thereto.

4.2.2 All proposed related party transactions and subsequent material modification(s) thereto shall be placed before the Audit Committee for its prior approval. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval in accordance with this Policy.

REGD. OFFICE & WORKS :
MIDC, GOKUL SHIRGAON, KOLHAPUR - 416 234. INDIA
Phones : + 91 231 26 72 279 / 533 / 487 Fax : + 91 231 267 22 78



E-mail : admin@menonbearings.in
Visit us at : <http://www.menonbearings.in>
CIN : L29130PN1991PLC062352



- 4.2.3 Approval of the Board of the Company shall also be required in accordance with the provisions of Section 188 of the Act.
- 4.2.4 All material related party transactions and subsequent material modifications thereto or such transactions which are not in ordinary course of business or not on arm's length basis shall require prior approval of the shareholders of the Company and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.



4.3 MANNER OF APPROVAL OF RELATED PARTY TRANSACTION(S)

4.3.1 Approval by the Audit Committee

- (a) All related party transactions or subsequent modifications thereto shall be approved by the Audit Committee in its meeting.
- (b) Subject to the statutory provisions for the time being in force, in case of urgency or in exceptional circumstances where convening of meeting of the Audit Committee may not be practically possible, the approval of the Audit Committee may be taken by passing resolution through circulation in the manner as provided under Section 175 of the Act. Any resolution passed through circulation shall be noted by the Audit Committee in its subsequent meeting.
- (c) Subject to the provisions of Section 177 of the Act, in exceptional cases, where prior approval of the Committee is not taken due to an inadvertent omission or unforeseen circumstances, the Committee may ratify such transaction(s) in accordance with this Policy.

4.3.2 Standing Pre-Approval / Omnibus Approval

- (a) In the case of frequent / regular / repetitive transaction(s) which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting such approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:
 - i. Name of the related party;
 - ii. Nature of the transaction;
 - iii. Period of the transaction;
 - iv. Maximum amount of the transactions that can be entered on omnibus approval basis upto Rs. 1 Crore per transaction;
 - v. Indicative base price / current contracted price and formula for variation in price, if any; and
 - vi. Such other conditions as the Audit Committee may deem fit.
- (b) All such related party transactions made by the Company shall be reviewed by the Audit Committee at least on a quarterly basis.
- (c) Where the need of the related party transaction(s) cannot be foreseen and all prescribed details are not available, the Committee may grant omnibus approval subject to the value per

transaction not exceeding Rs. 10,00,000/- (Rupees Ten Lakh only). The details of such transaction(s) shall be reported at the subsequent meeting of the Audit Committee for its ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that such transactions were in compliance with this Policy.

(d) The omnibus approval shall be valid for a period of one year.

4.3.3 Approval by the Board

- (a) All related party transactions falling under the provisions of Section 188 of the Act or subsequent modifications thereto shall be approved by the Board.
- (b) Approval of the Board shall also be taken for such transactions to be entered into by the Company, which are not in its ordinary course of business or are not on arm's length basis.
- (c) The Board may also consider other related party transaction(s) not falling under said Section.
- (d) Subject to the statutory provisions for the time being in force, in case of urgency or in exceptional circumstances where convening of meeting of the Board may not be practically possible, the approval of the Board may be taken by passing resolution through circulation in the manner as provided under Section 175 of the Act. Any resolution passed through circulation shall be noted by the Board in its subsequent meeting.
- (e) Subject to the provisions of Section 188 of the Act, in exceptional cases, where prior approval of the Board is not taken due to an inadvertent omission or unforeseen circumstances, the Board may ratify such transaction(s) in accordance with this Policy.



4.3.4 Approval by the Shareholders

- (a) All Material Related Party Transaction(s) and subsequent material modification(s) thereto shall require prior approval of the shareholders of the Company through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- (b) Approval of the shareholders of the Company shall also be taken for such transactions to be entered into by the Company, which are not in its ordinary course of business or are not on an arm's length basis.
- (c) While seeking shareholders' approval as aforesaid, all relevant information / details as may be required from time to time, shall be provided in the Explanatory Statement to be given pursuant to the provisions of Section 102 of the Act.
- (d) Subject to the provisions of Section 188 of the Act, in exceptional cases, where prior approval of the shareholders of the Company is not taken due to an inadvertent omission or unforeseen circumstances, the shareholders may ratify such transaction(s) in accordance with this Policy.

4.3.5 Transaction(s) which do not require approval

Notwithstanding the foregoing, the following related party transaction(s) shall not require approval of the Committee / Board / Shareholders:

Any transaction involving the providing compensation to a director or Key Managerial Personnel in connection with his duties including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

4.3.6 Related Party Transaction(s) not previously approved

- (a) If the Company becomes aware of a related party transaction which has not been previously approved as required under this Policy, such transaction shall be placed before the Committee or the Board or the Shareholders, as the case may be, for its / their ratification in accordance with this Policy, as promptly as practically possible, but not later than three months from the date on which such transaction was entered into.
- (b) The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances regarding such transaction(s) and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as may deem appropriate under the circumstances.

5. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

- 5.1 Details of related party transactions shall be disclosed in the Board's Report as required under Section 134(3) of the Act and in the Financial Statements as required under applicable Accounting Standard(s).
- 5.2 Relevant disclosures shall be made to the Stock Exchanges, where equity shares of the Company are listed in accordance with the provisions of Regulation 23 of the Listing Regulations.
- 5.3 Necessary entries of the related party transaction(s) shall be made in the Register of Contracts or Arrangements in which Directors are interested, as maintained under Section 189 of the Act.

6. OVERRIDE

In case of inconsistency of any of the provisions of this Policy with the provisions contained in the Act, Listing Regulations or any other statutory enactments, the provisions the Act, Listing Regulations or such other statutory enactments shall have effect.

7. DISSEMINATION OF POLICY

This Policy shall be provided to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall also be provided in the Annual Report of the Company.

8. AMENDMENT

This Policy shall be reviewed by the Board at least once in every three years and be updated accordingly, if required.

This amended policy is approved and adopted by the Board in its meeting held on 5th February, 2022 to be effective from 1st April, 2022.



ANNEXURE 1

INFORMATION / DETAILS TO BE PROVIDED TO THE AUDIT COMMITTEE / BOARD IN RELATION TO PROPOSED RELATED PARTY TRANSACTION(S) (TO THE EXTENT RELEVANT TO THE TRANSACTION):

1. Name of the Related Party;
2. Nature of relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
3. Nature / type of the contract or transaction;
4. Material terms and duration of the contract / transaction (particular tenure shall be specified);
5. Value of the contract / transaction;
6. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price / value and / or material terms of the contract or arrangement including justification to the proposed variation(s);
7. Advance paid / received or to be paid / received for the contract or transaction, if any;
8. Manner of determining the pricing and other commercial terms, whether or not included as part of contract;
9. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
10. 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);
11. 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,
 - a) nature of indebtedness;
 - b) cost of funds; and
 - c) 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 Related Party Transaction.
12. Justification as to why the related party transaction is in the interest of the Company;
13. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed related party transaction on a voluntary basis;

14. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any;
15. Applicable statutory provisions, if any;
16. Copy of Valuation report or any other external party / expert report, if any;
17. Justification as to the arm's length nature of the proposed transaction. While considering the arm's length nature of the transaction, the Committee / Board shall take into account the facts and circumstances as may be prevailing at the time of entering into the transaction with the related party;
18. Declaration whether the transaction is in the ordinary course of business;
19. Whether the related party transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction;
20. Whether the related party transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other related party, the direct or indirect nature of the Director's / Key Managerial Personnel's / other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee / Board deems relevant; and
21. Any other information relevant or important for the Committee / Board to take a decision on the proposed transaction.

