BALU FORGE INDUSTRIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS (INCLUDING MATERIAL RELATED PARTY TRANSACTIONS)

(Amended on 7th August, 2025)

1. INTRODUCTION

The Board of Directors (the "Board") of Balu Forge Industries Limited (the "Company"), has adopted the policy and procedures with regard to Related Party Transactions (including materiality of related party transactions and dealing with related party transactions) in terms of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This policy shall regulate transactions between the Company and its subsidiaries with its Related Parties based on the laws and regulations applicable to the Company.

2. PURPOSE

This policy is framed as per requirements of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hereinafter referred to as 'the Listing Regulations' and the provisions of Companies Act, 2013 (the "Act") including Rules made there under, as amended from time to time and intends to ensure proper governance and reporting of transactions between the Company and its Related Parties.

3. DEFINITIONS

1. **Arm's length transaction** means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

2. **Audit Committee or Committee** means Audit Committee constituted by the Board of Directors of the Company under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.

3. **Board of Directors or Board** means the Board of Directors of Balu Forge Industries Limited, as constituted from time to time.

4. **Industry Standards** means the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)" as notified by SEBI vide its circular dated June 26, 2025, effective from September 01, 2025 or such other date as may be notified by SEBI or as amended from time to time.

5. **Key Managerial Personnel** in relation to a company, means—
   a) the Chief Executive Officer or the Managing Director or the Manager;
   b) the Company Secretary;
   c) the Whole-time Director;
   d) the Chief Financial Officer; and
   e) such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel by the Board; and
   f) such other officer as may be prescribed under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.

6. **Material Related Party Transaction –**
   a) 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 Rs. 1,000 crore or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company, whichever is lower.

   b) Notwithstanding the above, 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, exceeds **5%** of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

7. **Material Modification** means any modification to the existing transaction, approved by the Audit Committee or the Board as the case may be, with the Related Party shall be considered as material modification, if such change results into variation in the transaction value exceeding 10% (Ten percent) of transaction approved by the Audit Committee or Board as the case may be, or subsequent modifications from time to time or change in the material terms of transaction.

   Audit Committee of the Company may determine material modification to any approved related party transaction on a case-to-case basis.

8. **Related Party** means a related party as defined under regulation 2(1)(zb) of Listing Regulations, sub-section 2(76) of the Act or under the applicable Accounting Standards, as may be amended/ modified from time to time.

9. **Related Party Transaction** shall mean all transactions as defined under Section 188 of the Act and Regulation 2(1)(zc) of the Listing Regulations as may be amended from time to time and such Related Party Transaction regardless of whether a price is charged and involving 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) 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.

10. **Relative** means anyone who is related to another, if-
    i) they are members of a Hindu Undivided Family
    ii) they are husband and wife
    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)

11. **Ordinary course of business** means transactions that are connected to or necessary for business of the Company and satisfy the following principles:

i) The transaction is permitted under the Memorandum of Association of the Company;
ii) The transaction is carried on a frequent or regular basis or is as per the industry practice;
iii) The transactions, if not frequent, are important and in furtherance to the business objectives of the Company;
iv) This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

4. POLICY

All Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy.

4.1 Identification of Related Party

Each Director and Key Managerial Personnel (KMP) and every other related party is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/ her relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Audit Committee would determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Each Director and Key Managerial Personnel (KMP) shall issue General Notice of Disclosures to the Company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

4.2. Process for approval to Related Party Transactions

Approval of Audit Committee:

A. Information to be placed before the Audit Committee for approval of RPTs

The following information shall be placed for review of the audit committee for approval of a proposed RPT:

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 as to why the RPT is in the interest of the listed entity.
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 relevant or important for the Audit Committee or Board as the case may be to take a decision on the proposed transaction.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis. Further, an RPT for which the audit committee has granted omnibus approval shall continue to be placed before the shareholders if it is material in terms of regulation 23(1) of the LODR Regulations.

Minimum information specified in the Industry Standards as defined in Clause 3; and Certificates from the CEO or CFO or any other KMP of the Company and from every director of the Listed Entity who is also promoter ("promoter director"} that: the RPTs to be entered into are not prejudicial to the interest of public shareholders; and the terms and conditions of the RPT are not unfavorable to the listed entity, compared to the terms and conditions, had similar transaction been entered into with an unrelated party.

B. <u>Transaction requiring Approval of Audit Committee</u>

All related party transactions and subsequent Material Modifications to same shall require prior approval of the Audit Committee except such transactions which are exempt from such approval requirement, provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Provided further that:-

(i) a related party transaction to which the 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

(ii) 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 these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of audit committee of the listed subsidiary shall suffice.

(iii) Remuneration and sitting fees paid by the Company or its subsidiaries to its Directors, Key Managerial Personnel or Senior Management, except who is part of Promoter or Promoter group shall not require approval of the Audit Committee provided the same is not material in terms of the provisions of Reg. 23(1) of SEBI Listing Regulations.

C. <u>Omnibus Approval of Audit Committee</u>

The Company may obtain omnibus approval from the Audit Committee for such proposed related party transactions of the Company or its subsidiary, subject to compliances with the following conditions:

a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:

   i. Maximum value of transaction, in aggregate, which can be allowed under the omnibus route in a year;
   ii. The maximum value per transaction which can be allowed;
   iii. Extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval;
   iv. Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
   v. Transactions which cannot be subject to the omnibus approval by the Audit Committee.

   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 rupees one crore per transaction.

b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-

   i. Repetitiveness of the transactions (in past or in future);
   ii. Justification for the need of omnibus approval.

c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the Interest of the Company;

d. Omnibus approval shall be valid for period not exceeding one year or and shall require fresh approval after expiry of one year.

e. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

f. Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company or its subsidiary pursuant to each of the omnibus approval given.

Approval of the Board of Directors:

1. In the event of any transaction under RPT to be entered into by the Company not in its ordinary course of business or not done at arm's length, such transactions shall not be entered except with the prior consent of the Board of Directors given by a resolution at a meeting of the Board. The nature of contract or arrangement interalia includes the following:
   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 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; and
   g. Underwriting the subscription of any securities or derivatives thereof, of the Company.

2. Where any Director is interested in any Related Party Transaction, such Director shall abstain from discussion and voting on the resolution relating to such transaction.

Approval of Shareholders

Prior approval of shareholders shall be required in case of:

1. All Material Related Party Transactions (Material RPT); and subsequent modification therein.

2. All Related Party Transactions, which are not in ordinary course of business and/or not entered on arm's length basis, whose value exceeds the threshold limits as prescribed in Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board & its Powers) Rules, 2014, are placed before the shareholders for its approval.

3. All the information specified in the Act, LODR, and Industry Standards defined in Clause 3 shall be provided to the shareholders for approving the RPT.

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.

All individuals/ entities falling under the definition of related parties shall not vote to approve irrespective of whether the entity is a party to the transaction or not.

Summary of the approval mechanism under SEBI (LODR) Regulations, 2015 and the Companies Act, 2013:

Details of Transaction(s)	Approving Authority
All related party transactions (other than those which are exempted) and any subsequent material modifications	1. Audit Committee
RPTs u/s 188 of the Companies Act, 2013 which are not in Ordinary Course of Business or not on arm's length basis or both and **less than threshold limits of materiality.**	1. Audit Committee 2. Board of Directors of the Company
RPTs u/s 188 of the Companies Act, 2013 which are in not in ordinary course of business or not on arm's length basis or both **and beyond threshold limits.**	1. Audit Committee 2. Board of Directors of the Company 3. Shareholders of the Company.
Material RPT and subsequent material modifications.	1. Audit Committee 2. Board of Directors of the Company 3. Shareholders of the Company.

4.3. Criteria for recommendation of Related Party Transactions

All Related Party Transactions and their subsequent material modifications must be reported to the Audit Committee for its prior approval in accordance with this Policy. The Committee shall review the transaction and recommend the same for approval of the Board and shareholders, if required, in accordance with this policy. Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain himself/herself from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction as prescribed under applicable regulations. In determining whether to approve a Related Party Transaction, the Committee will consider inter- alia the following factors, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

- Whether the Company was notified about the Related Party Transaction before its commencement and any other factors as the Committee deems relevant.

5. EXEMPTIONS UNDER THE COMPANIES ACT AND SEBI LODR

I. Exemption from the approval of the Audit Committee and /or shareholders of the Company under the SEBI LODR.

a. transactions entered into between two public sector companies.
b. 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.
c. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
d. transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
e. transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.
f. RPT to which the listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of LODR are applicable to such listed subsidiary. For RPT of unlisted subsidiaries of a listed subsidiary of the Company, the prior approval of the audit committee of the listed subsidiary of the Company shall suffice.
g. Remuneration and sitting fees paid by the Company or its subsidiary to its director, KMP or senior management except who is part of promoter or promoter group, provided the same is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of SEBI LODR.

II. Exemption from the approval of the Audit Committee under the Companies Act.

For transaction, other than a transaction referred to in section 188 of the Companies Act, between a holding company and its wholly owned subsidiary company.

III. **Exemption from the approval of the Board under the section 188 of the Companies Act:**

a. The transactions are at Arm Length Basis; and
b. In the ordinary course of Business

IV. **Other Deemed Exemptions:**

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 of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
ii. Transactions that require approval by the Board under any specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
iii. Loans and advances to Directors / KMPs as a part of Employment Terms;
iv. Payment or receipt of Dividend, interest and any other returns related to approval accorded for making any investment / loans etc.
v. Payments of statutory contributions to various employees' post-employment benefits trusts/schemes.
vi. 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;
vii. Deputation/secondment of employees in Subsidiaries and Joint Ventures.
viii. Transactions in the nature of reimbursements Subsidiaries/JV companies at actuals.
ix. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee;
x. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and caried out in provisions of the Companies Act, 2013 or the Listing Regulations, 2015.
xi. Following corporate actions by the Company which are uniformly applicable/ offered to all shareholders in proportion to their shareholding:
    a. payment of dividend;
    b. subdivision or consolidation of securities;
    c. issuance of securities by way of a rights issue or a bonus issue; and
    d. buy-back of securities.

6. <u>RELATED PARTY TRANSACTIONS FOR WHICH PRIOR APPROVAL NOT OBTAINED</u>

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 ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
(ii) the transaction is not material in terms of the provisions of regulation 23(1), of listing regulations;

(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 disclosure of related party transactions in terms of the provisions of regulation 23(9), of listing regulations;
(v) any other condition as specified by the audit committee.

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 transactions in terms of the provisions of regulation 23 (9) of listing regulations;

Where any contract or arrangement is entered into by a director or any other employee with a related party, without obtaining the consent of the Board or approval by a resolution in the general meeting 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 or, as the case maybe 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.

Provided also that the provisions of above clause shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.

7. DISCLOSURES

The Company shall make appropriate disclosures in Financial Statements, Board's Report and to Stock Exchanges as required under the Act, the Listing Regulations and applicable Accounting Standards, as amended from time to time. The said disclosures shall be placed on the Company's website at www.baluindustries.com.

The Policy on dealing with Related Party Transactions shall be disclosed on the Company's website and a web link thereto would be disclosed in the Annual Report of the Company.

8. AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

However, the Board shall review the Policy at least once in every three years and update accordingly.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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