



**RELATED PARTY TRANSACTIONS POLICY**  
**OF**  
**B.A.G. CONVERGENCE LIMITED**  
(Formerly known as B.A.G. Convergence Private Limited)  
**(Policy on Materiality of Related Party Transactions**  
**and dealing with related party Transactions)**

## **1. INTRODUCTION**

The Companies Act, 2013 (“the Act”) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party Transactions and defined the term Related Parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

Subsequently, the Securities and Exchange Board of India (“SEBI”) with the objectives to align provisions of the Act, to adopt best practices on corporate governance and to make the corporate governance framework more effective, vide its circular(s) dated 17th April, 2014 and 15th September, 2014. The provisions of the revised clause, *inter alia*, required formulation of a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

Later, the Listing Agreement was replaced by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) in year 2015 with Regulation 23(1) requiring the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. SEBI further amended the SEBI Listing Regulations vide Notification dated 9th November 2021. Regulation 23 of the SEBI Listing Regulations provides that all listed companies shall formulate a policy on materiality of related party transactions and also to deal with related party transactions.

Further Section 177 and 188 of the Companies Act, 2013 read with relevant rules also provides for certain compliance requirements such as Audit Committee approval, Board approval and Shareholder’s approval.

Keeping in view the above mentioned compliance requirements stated in Companies Act, 2013 read with related rules issued thereon and Regulation 23 of the SEBI Listing Regulations, the Board of Directors (the “Board”) of B.A.G. Convergence Limited (formerly known as B.A.G. Convergence Private Limited) (the “**Company**” or “**BCL**”), acting upon the recommendations of the Audit Committee of the Company, has approved and adopted the policy and procedure with regard to Related Parties and Related Party Transactions (herein after referred as “**Related Party Transaction Policy**”) of the Company.

## **2. SCOPE AND PURPOSE**

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party as defined in this policy in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement Company’s other policies & practices/ delegation of authorities / manual of authorities etc. which require approval of the Contracts or Arrangement in specified manner and by specified authority.

The Regulation 23 of the SEBI Listing Regulations requires all listed companies to formulate a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors. The regulation further requires that the audit committee of Company shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions. This Policy has been framed for complying with above requirement.

This policy is formulated primarily from the purview of Act, Rules framed thereunder, the SEBI Listing Regulations and also drawing relevant provisions from Ind Accounting Standards (Ind AS).

### 3. DEFINITIONS AND INTERPRETATIONS

**“Act”** means the Companies Act, 2013 and the Rules framed thereunder (including any statutory modification or re-enactment thereof for the time being in force).

**“Arm’s length Transactions”** as per the Explanation (b) to Section 188 (1) of the Act means a transaction between two Related Parties that is conducted as if they are unrelated so that there is no conflict of interest.

**“Associate”** means a company as defined under section 2(6) of the Act. Accordingly, “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 purposes of this clause, “significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

**“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of the SEBI Listing Regulations and the Act.

**“Board”** means the Board of Directors of B.A.G. Convergence Limited, as constituted from time to time.

**“Company”** means B.A.G. Convergence Limited.

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

**“Key Managerial Personnel” (KMP)** means key managerial personnel as defined under section 2(51) of the Act and includes:

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole- time director;
- ii. Company Secretary;
- iii. Chief Financial Officer
- iv. 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
- (v) Such other officer as may be prescribed.

**“Material Modifications”** means any modification to an existing Related Party Transaction having a variance of 10% of the existing limit as sanctioned by Audit Committee/Board/Shareholders of the Company, as the case may be.

**“Material Related Party Transaction” (Material RPT)** 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 Rs. 1,000 Crore or 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.*

Notwithstanding the above, a transaction involving payments made to related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

**“Policy”** means this Related Party Transaction Policy as amended from time to time.

**“Relative”** in relation to an Individual, means relative as defined under section 2(77) of the Act and Rules made thereunder and the SEBI Listing Regulations.

**“Related Party”** in relation to the company means a party related to the company in any of the ways as laid down in Section 2(76) of the Act or Regulation 2(1)(zb) of the SEBI Listing Regulations 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 April 1, 2023;

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.

*In addition to the above, an entity will be considered as a related party if it satisfies the conditions laid down as per Ind AS 24*

**“Related Party Transaction” (RPT)** means transactions as defined in clause (zc) of Regulation 2 of the SEBI Listing Regulations. Accordingly, a transaction involving transfer of resources, services or obligations between

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or*
- (ii) a listed entity 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 listed entity or any of its subsidiaries, (w.e.f April 1, 2023), regardless of whether a price is charged.*

A "transaction" with a related party shall be construed to include 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 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 buy-back of securities.

The term shall have the meaning ascribed to it under the SEBI Listing Regulations as may be amended from time to time or relevant provisions of the Act.

**“Specified Related Party Transactions” (Specified RPT)**, in accordance with Section 188 (1) (a) to (g) of the Act, means a 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.

*Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 and the SEBI Listing Regulations or any other applicable law or regulation as amended from time to time.*

## **4. POLICY**

### **4.1 Identification of Related Party Transactions**

For the purpose of identification of Potential Related Party Transactions, each director and Key Managerial Personnel shall give notice of disclosure of interest on an annual basis and upon any subsequent modifications in the last disclosure provided. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.

The Responsible Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.

Responsible Person shall collate the information, coordinate and send the related party list to the concerned employees which may include MD, Business Heads, Branch Heads, the Finance & Accounts Department and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations or approval of the Audit Committee, whether the said transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

## **4.2 Materiality Thresholds**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required.

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

- a) exceeds Rs. 1,000 Crore or
- b) 10% of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.

The term shall have the meaning ascribed to it under the SEBI Listing Regulations as may be amended from time to time or relevant provisions of the Act.

Additionally, the Company on an annual basis will also set the limits for its Projected Related Party Transactions for the consideration and approval by the Audit Committee and the Board of Directors.

## **4.3 Review and Approvals of Related Party Transactions**

### **I. Audit Committee**

All RPT and subsequent material modifications shall require prior approval/ recommendation, as the case may be, of the Audit Committee. RPT shall be approved only by the members of the audit committee, who are independent directors.

Following is the approval mechanism for RPT;

(a) The Audit Committee may grant prior omnibus approval for RPT proposed to be entered into by the Company under section 177(4)(iv) of the Act read with rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, and Regulation 23(3) of the SEBI Listing Regulations provided it is satisfied that there is a need to grant such approval and such approval is in the interest of the Company. It shall be taken for all transactions proposed to be undertaken during the next Financial Year, before the start of such Financial Year. Such approval may be granted by Audit Committee for the proposed transaction after considering the following criteria's of the transaction:

- i) Repetitive in nature;
- ii) Sufficient details shall be provided to the Audit Committee such as the
  - name/s of the related party,
  - nature of transaction
  - period of transaction
  - maximum amount of transaction that can be entered into
  - the indicative base price / current contracted price and the formula for variation in the price if any and

- Such other conditions as the Audit Committee may deem fit.

(b) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.

(c) In case, need for RPT cannot be foreseen at the time of Omnibus Approval for the year and the aforesaid details are not available, Audit Committee may grant omnibus approval for any transaction(s), subject to their value not exceeding Rs. One Crore per transaction. Where the Audit Committee does not approve the transaction, it shall make its recommendation to the Board.

(d) RPT to which subsidiary of BCL is a party but BCL is not a party, shall require prior approval of the audit committee of BCL if the value of such transaction individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover (w.e.f. April 1, 2022), as per the last audited financial statements of BCL; (or exceeds ten per cent of the annual standalone turnover of the subsidiary w.e.f. April 1, 2023)

(e) Prior approval of the audit committee of the BCL shall not be required for an RPT to which its listed subsidiary is a party but BCL is not a party, if regulation 23 and 15(2) of SEBI Listing are applicable to such listed subsidiary.

(f) Where any transaction not exceeding Rs. One Crore, which is considered as RPT exclusively as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the approval of the Audit committee and such transaction is not ratified by the Audit Committee at a meeting within three months from the date of transaction, such transaction shall be voidable at the option of the Audit Committee if the transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify BCL against any loss incurred by it.

*Provided further that any transaction entered into by the Company with a related party which is in its ordinary course of business and which is on an arm's length basis does not require any approval from the Audit Committee, Board of Directors or the Shareholders.*

## **II. Approval of the Board and the Shareholders**

The Board shall approve such Related Party Transactions as are required to be approved under Act and/or SEBI Listing Regulations and/or transactions referred to it by the Audit Committee.

In accordance with Section 188 of the Act and SEBI Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

### **1. Board of Directors and Shareholders' approval in terms of Companies Act, 2013:**

All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors.

Provided the transactions as prescribed below shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder:

| Transaction covered   | Transaction value                      |
|---|--|
| Sale, Purchase or supply of any goods or materials directly or through appointment of agents*                                 | Amounting to 10 % or more of Turnover  |
| Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*                 | Amounting to 10 % or more of Net Worth |
| Leasing of property of any kind*  | Amounting to 10 % or more of Turnover  |
| Availing or rendering of any services directly or through appointment of agents*  | Amounting to 10 % or more of Turnover  |
| Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company | monthly remuneration > Rs. 2.5 lakhs   |
| Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*                      | >1% of Net Worth                       |

\* The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution.

## 2. Board of Directors and Shareholders' approval in terms of Listing Regulations:

The SEBI Listing Regulations require a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. The Company has fixed its materiality threshold at the level prescribed under Explanation to Regulation 23(1) of the SEBI Listing Regulations (w.e.f. 01/04/2022 Provided that 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 per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other limit as may be specified in the applicable Regulation as amended from time to time.).

Accordingly, in terms of Regulation 23 of the SEBI Listing Regulations, all Material Related Party Transaction and subsequent material modifications as defined by the audit committee shall be recommended by the Board of Directors to the Shareholders for their approval by way of Ordinary Resolution.

No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

For the purpose of obtaining approval from the Board of Directors of BCL of any contract or arrangement with the related party which is not at arm's length or in ordinary course of business, the following shall be disclosed in the agenda –

- (i) A summary of the information provided by the management of BCL to the audit committee as specified above;
- (ii) Any advance paid or received for the contract or arrangement, if any;
- (iii) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

(iv) 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;

For the purpose of obtaining approval from the Shareholders in respect of transactions beyond threshold limits entered into with the related party under any contract or arrangement which are not at arm's length or in ordinary course of business or material RPT's or any subsequent material modifications thereof, the following shall be included in the explanatory statement annexed to the notice of general meeting –

- (i) A summary of the information provided by the management of the Company to the audit committee as specified above;
- (ii) Justification for why the proposed transaction is in the interest of the Company;
- (iii) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary as specified above;
- (iv) Any other information relevant or important for the members to take a decision on the proposed resolution.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

Provided that approval from shareholders will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

**The summary of the approval mechanism under the SEBI Listing Regulations and the Act is provided as under:**

| <b>Details of Transaction</b>   | <b>Approving Authority</b>  |
|---|---|
| All related party transactions (other than those mentioned below) and any subsequent material modifications to the contracts / arrangements | Audit Committee ( <i>including Omnibus Approval for a maximum period of one year</i> )                            |
| <b>Specified RPTs</b> which are not in Ordinary Course of Business or not on arm's length basis or both (less than threshold limits)        | Recommendation by Audit Committee<br>Approval by Board of Directors   |
| <b>Specified RPTs</b> which are not in Ordinary Course of Business or not on arm's length basis or both (beyond threshold limits)           | Recommendation by Audit Committee to Board<br>Recommendation by Board to Shareholders<br>Approval by Shareholders |
| <b>Material RPTs</b>  | Recommendation by Audit Committee to Board<br>Recommendation by Board to Shareholders<br>Approval by Shareholders |

In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the Audit Committee / Board / Shareholders reserve the right to ratify as they may deem fit.

**4.4 Exemption from obtaining approval in terms of the SEBI Listing Regulations**

In terms of Regulation 23 of the Listing regulations, following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

- i. Transactions entered into between two Government Companies;





ii. Transactions entered into between BCL and its wholly owned subsidiary, if any, whose accounts are consolidated with BCL.

iii. Transactions entered into *interse* wholly-owned subsidiaries of BCL, if any, whose accounts are consolidated with BCL.

However, an approval of Audit Committee and Board of Directors/ Shareholders (to the extent applicable), as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Companies Act, 2013 read with the Rules made thereunder.

The Company shall avail exemptions grated under section 188, 177 of Companies Act, 2013 and/or the applicable provisions of The SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended from time to time and after fulfilling conditions and requirements specified therein.

#### **4.5 Rules for Transactions with Related Parties which are in Ordinary Course of Business/ on arm's length except Specific Transactions**

Transactions with Related Parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.

The Responsible Person shall ensure that details of such transactions are brought to the notice of Chairperson & Managing Director and /or any other person so authorized and discussed with the Board at the next following meeting, as may be required.

Transactions being entered into with the Related Parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Responsible Person to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

*"In the Ordinary Course of Business"* means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course of business.

The expression *"arms' 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.

A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.

The Company shall produce evidence to the satisfaction of the Audit Committee for complying with the said procedure, as and when applicable as required.

## **5. DISCLOSURES**

### **5.1 Disclosure of Interest by Directors/KMPs**

Every Director and KMP shall, in adherence of the provisions of the Act and the SEBI Listing Regulations in this regard, furnish necessary disclosures (annually and whenever there is a

change) about his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in the manner prescribed.

Further, it shall be the duty of members of the Board and KMP to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

Every Director should forthwith bring to the attention of Board any Related Party Transaction that he or she anticipates/ foresees in order to ensure adherence to applicable compliance norms, obtaining necessary approval in that regard.

## **5.2 General Disclosures**

1. Details of all material transactions with Related Parties shall be disclosed quarterly along with the compliance report on corporate governance.

2. The Company shall disclose the material contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.

3 The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report. In addition to the above, the Company shall disclose related party transactions every six months to the Stock Exchanges within 15 days (w.e.f. 01/04/2022) from the date of publication of its standalone and consolidated financial results in the prescribed format, and simultaneously publish the same on its website. Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

Disclosures with respect to Related Party Transactions shall be made as per applicable provisions of the Act and/or SEBI Listing Regulations.

## **5.3 Registers**

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this Policy applies and such Register is placed/taken note of before the meeting of the Board of directors.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the Register maintained.

The Register shall be preserved permanently and shall be kept in the custody of the Company Secretary of the Company or any other person authorized by the Board for the purpose.

## **6. POLICY REVIEW AND AMENDMENTS**

This Policy is framed based on the provisions of the Act and rules thereunder and the requirements of the SEBI Listing Regulations.

In case of any subsequent notification, circular, guidelines or amendments in the provisions of the Act, the SEBI Listing Regulations or any other regulations ("the Regulations") which makes



any of the provisions in the Policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed and recommended by the Audit Committee at least once in every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations or as may be felt appropriate by the Audit Committee, whichever is earlier for approval of the Board of Directors. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.

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Adopted as on September 17, 2024