



*NITCO LIMITED*

*POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS  
AND ON DEALING WITH RELATED PARTY TRANSACTIONS*

## 1. SCOPE AND PURPOSE OF THE POLICY

Nitco Limited (the “Company”) recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stakeholders' best interests.

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) requires a listed entity to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

This Policy intends to comply with the provisions of the Companies Act, 2013 (“the Act”) and rules framed thereunder and applicable provisions of the Listing Regulations.

The Company shall enter into Related-Party Transactions in accordance with the provisions of this Policy.

## 2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions;
- (b) the manner of dealing with the transactions between the Company and its related parties;
- (c) transaction between the Company or any of its subsidiary(ies) on one hand and a related party of the Company or any of its subsidiary(ies) on the other hand; and
- (d) transaction between the Company or any of its subsidiary(ies) 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 subsidiary(ies).

based on the Act, the Listing Regulations and any other laws and regulations as may be applicable to the Company.

## 3. DEFINITIONS

“**Audit Committee**” shall mean the Audit Committee constituted by the Board of the Company from time to time, in accordance with the provisions of the Act and the Listing Regulations.

**“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.

**“Industry Standards”** means standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)”

**“Material modifications”** to Related Party Transactions shall mean any modification made in the value/exposure of any ongoing or proposed Related Party Transactions, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the approved value of the transaction, by 20% or more or by which the transaction ceases to be in ordinary course and/or on arm’s length basis or such other parameter as may be determined by the Audit Committee from time to time.

**“The Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

**“Related Party”** shall have the meaning provided in regulation 2(1)(zb) of the Listing Regulations and Section 2(76) of the Act including all amendments and modifications thereof from time to time.

**“Related Party Transaction”** shall have the meaning provided in Regulation 2(1)(zc) of the (Listing Regulations and as per Section 188 of the act. **“Relative”** means relative as defined under sub-section (77) of Section 2 of the Act and Rules prescribed there under and Regulation 2(zd) of the Listing Regulations.

#### **4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

##### ***i. Identification of Related Parties and Related Party Transactions***

At the beginning of each financial year, the Company shall draw up a list of Related Party(ies) in accordance with the definition given in the Listing Regulations and the Act. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard.

All Directors and Key Managerial Personnel are responsible for informing the Company of their interest (including their indirect interest) in other company(ies), firm(s), body corporate(s) or concerns at the beginning of every financial year and whenever there is any change in such interest during the year. In addition, all Directors and Key Managerial Personnel are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him / her directly or indirectly.

The Audit Committee, in consultation with the management, will review and determine whether any transaction with such party(ies) will constitute a Related

Party Transaction requiring compliance with this Policy. Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall disclose his/her interest and abstain from participating in the discussion for such item under consideration by Audit Committee and Board, as the case may be. The Company after obtaining all statutory approvals shall take requisite consent for entering into related party transactions from any authority(ies) / institution(s), if required.

*ii. Procedure for approval of related party transactions*

**Approval of the Audit Committee**

All the transactions which are identified as Related Party Transactions and subsequent material modifications thereof, shall be approved by the Audit Committee in the manner specified under the Listing Regulations and industry standards. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall disclose his/her interest and abstain from participating in the discussion for such item of the Related Party transaction under consideration by Audit Committee. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not an arm's length basis, would require approval of the Board and / or of shareholders, as detailed in subsequent paragraphs.

A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for consideration, and ratification, if appropriate as prescribed under listing regulations.

The Audit Committee shall also pre-approve Related Party Transactions, where the Company is not a party, but the Company's subsidiary is a party, if the value of such transaction crosses the thresholds as prescribed under the Listing Regulations.

The approval of 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 sub-regulation (2) of Regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

These provisions shall not apply to a remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group.

Only those members of the audit committee, who are independent directors, shall

approve related party transactions.

### **Ratification of Related Party Transactions**

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 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 disclosures of related party transactions in terms of the Regulation 23(9) of the 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 to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

### **Omnibus approval of the Audit Committee**

The Company may obtain omnibus approval from the Audit Committee for certain transactions, subject to compliance with the following conditions:

- The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;
- The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
  - (a) repetitiveness of the transactions (in past or in future);
  - (b) Justification for the need of omnibus approval.
- The omnibus approval shall provide -

- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction in aggregate that can be entered into during the year;
- (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
- (iii) such other conditions as the Audit Committee may deem fit.

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the subsidiary subject to following the due process.

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

Such omnibus approval shall be valid for a period of one year and shall require fresh approval after the expiry of one year.

**Omnibus blanket approval:**

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 Rs. 1 crore per transaction. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of 1 year.

**Approval of the Board of Directors**

All kinds of related party transactions specified under the Listing Regulations and the Act shall require approval of the Board of Directors by way of a resolution passed at a board meeting.

Where any director is concerned or interested in any potential Related Party Transaction, such director shall disclose his /her interest and abstain from participating when such transaction is being considered at Board Meeting.

**Approval of the Shareholders**

If a Related Party Transaction is (i) a material transaction as per Regulation 23 of the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length basis or (iii) exceeds certain thresholds prescribed under the Act, then such Related Party Transaction and (iv) any subsequent Material modification thereto as defined under the policy, shall require shareholders' approval by a resolution in the manner specified under the Act, the Listing

Regulations and industry standards. In such case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.

The provisions of Regulation 23(2), (3) and (4) of the Listing Regulations shall not be applicable in case of transactions entered into between the Company and its wholly owned subsidiary(ies) and between two wholly-owned subsidiaries, whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would seek post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/regulations.

## **5. MATERIALITY THRESHOLDS**

1. **As per Listing Regulations “Material Related Party Transaction”** means a Related Party Transaction which is material in terms of the provisions of the Act and/or the Listing Regulations, as amended from time to time, which states that “a transaction with a related party shall be considered material if the Transaction to be entered into individually or taken together with previous Transactions during a financial year, exceeds Rs. 1000 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.

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, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

OR

2. In addition to the limits provided above, a transaction will be considered as material Related Party Transaction if it is not at arm’s length and / or ordinary course of business or if any Related Party Transactions exceeds the following threshold(s) the same will also require approval of audit committee, Board and shareholders:

Sr No.	Category of transaction	Threshold
1.	Sale, purchase or supply of any goods or materials, directly or through appointment of agent	10% or more of the turnover of the company.
2.	Selling or otherwise disposing of or buying property / fixed assets of any kind, directly or through appointment of agent.	10% or more of the net worth of the company.
3.	Leasing of property of any kind.	10% or more of the turnover of the company.
4.	Availing or rendering of any services, directly or through appointment of agent.	10% or more of the turnover of the company.
5.	Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs 2.5 lakh
6.	Remuneration for Underwriting the subscription of any securities or derivatives thereof, of the company	1% of net worth

## 6. DISCLOSURES

The Company shall disclose, in the Board's Report, transactions entered between related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction(s).

Further, as per the Listing Regulations the Company shall submit disclosure of related party transactions in the format specified in the relevant accounting standards, to the stock exchanges and publish the same on its website on the date of publication of its financial results.

This policy shall also be uploaded on the website of the Company at [www.nitco.in](http://www.nitco.in) and a web link thereto shall be provided in the Annual Report of the Company.

## 7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this policy, the matter shall be reviewed by the Audit Committee. The Audit Committee shall be provided with all the relevant facts and circumstances for entering into such transaction with a



related party. Based on the information provided, the Audit Committee shall evaluate and take such necessary steps, as it may deem fit, including Ratification, Termination or Revision of any terms of the Related Party Transaction.

The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

The Audit Committee shall keep the Board apprised of any instances of such transactions entered into with any related party in contravention of this Policy and recommend to Board for its consideration and approval.

## **8. REVIEW & AMENDMENT**

This Policy shall be reviewed by the Board of Directors *atleast once every three years* and updated accordingly based on the recommendations of the Audit Committee.

In case of any subsequent changes in the provisions of the Act, the Listing Regulations or any other regulations, law, as applicable, which makes any of the provisions in the Policy inconsistent with the provisions of such law, the provisions of the Act, or the Listing Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

Any changes or modification to the policy shall be recommended by the Audit Committee and approved by the Board of Directors.

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