NALWA SONS INVESTMENTS LIMITED

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

1 Preamble

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors of the Company, has adopted this policy and procedures for dealing with Related Party Transactions, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there under and any subsequent amendments thereto (the "Act") and Listing Agreement, as may be amended from time to time, with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

2 Objective

This policy is intended to ensure proper approval and reporting of transactions as applicable, between the Company and any of its directors, officers or certain entities or persons related to them, 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 the Company's other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

3 Applicability

This Policy shall come into force with effect from 12th August, 2014 i.e. the date of adoption of the Policy by the Board of Directors of the Company and shall be applicable to the Related Parties, as defined hereinafter.

4 Transactions Covered By This Policy

As per Companies Act, 2013, Transactions covered by this Policy include any contract or arrangement with a related party with respect to:-

(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.

As per SEBI Equity Listing Agreement, Related Party Transaction covers transfer of resources, services or obligations between the Company and a related party (hereinafter referred to as “Specific Transactions”), regardless of whether a price is charged.

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

Further, Transaction arising out of compromises arrangements and amalgamations will not be in the ambit of this Policy.

5 Definitions

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

"Board" means Board of Directors of the Company

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

"Key Managerial Personnel" means key managerial personnel as defined under the Companies Act, 2013 and Accounting Standards, as the case may be, and includes:

(i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;

(ii) Company Secretary; and

(iii) (iii) Chief Financial Officer

"Material Related Party Transaction" means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

"Policy" means this Related Party Transaction Policy.

"Related Party" means related party as defined under the Companies Act 2013 and in Clause 49 of the Listing Agreement which is as follows:

Section 2(76) of the Companies Act, 2013

"Related party", with reference to a company, means

(i) a director or his relative ;

(ii) a key managerial personnel or his relative ;

(iii) a firm, in which a director, manager or his relative is a partner ;

(iv) a private company in which a director or manager or his relative is a member or director ;

(v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;

(vi) any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;

(vii) any person under whose advice, directions or instructions a director or manager is accustomed to act :

(viii) Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(ix) any company which is —

a. a holding, subsidiary or an associate company of such company ; or

b. a subsidiary of a holding company to which it is also a subsidiary ;

(x) Director other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company.

Clause 49 of Listing Agreement

An entity shall be considered as related to the company if:

(i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or

(ii) such entity is a related party under the applicable accounting standards.

"Related Party Transaction" means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and includes:

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

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

"Relative" means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if —

I. They are members of a Hindu undivided family ;
II. They are husband and wife ; or
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)

6 Compliance Officer

6.1 For purposes of this Policy, the Chief Financial Officer of the Company shall be the Compliance Officer. The Board may, where it is considered necessary so to do, appoint such other officer as it may consider proper as such Compliance Officer(s). The Compliance Officer shall report to the Chief Executive Officer of the Company.

6.2 The Compliance Officer shall be responsible for proper implementation of the Policy as approved by the Board/Committee of Directors; procedures, monitoring adherence to the rules of Related Party Transactions.

6.3 The Compliance Officer shall assist the Directors and Key Managerial Personnel and provide any clarifications on the provisions of this Policy.

7. Procedural Rules

7.1 The Compliance 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 Clause 5 (e) & (f) above, as communicated by the Company Secretary.

7.2 The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April.

7.3 Compliance Officer shall collate the information, coordinate and send the Related Party List to the concerned employees who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

7.4 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.

8 Review Mechanism/Approval/Ratification

8.1 All Related Party Transactions entered into by the Company with related parties will be put up for approval of Audit Committee on regular basis (Section 177(4) (iv) of the Companies Act, 2013.

(I) All transactions entered with Related Parties after 1st October, 2014 will be done with prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (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;

Provided that 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.

d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

(Clause 49 of the Listing Agreement)

(II) After 1.10.2014, all Material Related Party Transactions will be carried out only after approval from Shareholders through special resolutions where all related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. (Clause 49 of the Listing Agreement)

Provided that points mentioned above at 8.1.(I) and (II) shall not be applicable in the following cases:

i) 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.

The transactions which are not in ordinary course of Business or not as per Arm's Length pricing or both will be put up for prior approval of the Board or Shareholders, if applicable *(Section 188 of the Companies Act, 2013)*

8.2 In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations 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.

8.3 All Related Party Transactions will be reported/referred to the Audit Committee of Directors for its prior approval Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and all Material Transactions, shall be accompanied with Management's justification for the same. Before approving such transactions, the Committee will look into the interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits. The

Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

8.4 The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

9 Prior Shareholders Approval by way of Special Resolution in General Meeting for certain Related Party Transactions

9.1 Transaction (s) to be entered into with a Related Party which are otherwise than in Ordinary Course of Business and on arm's length or Material Transaction (whether in ordinary course of business and on arm's length or not), shall not be entered into unless prior approval of the Board and Shareholders by way of Special Resolution is obtained. [Refer Annexure A for list of transaction]

Transactions which are not in Ordinary Course of Business and on arm's length or both for any Wholly Owned Subsidiary (WOS) of the Company, the same will be put up for prior approval of the Audit Committee, Board and Shareholders of the Company as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

9.2 In the case of a wholly owned subsidiary, the Special Resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between such wholly owned subsidiary and the Company, within the limits approved by the Shareholders

10. Rules applying to Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Material Transactions

10.1 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.

10.2 The Compliance Officer shall ensure that details of such transactions, after approval of the Audit Committee, are brought to the notice of Chief Executive Officer and discussed with the Board at the next following meeting, as may be required.

10.3 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 Compliance Officer to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

11. Disclosure

11.1 Particulars of contracts or arrangements with related parties covered under this Policy, requiring Shareholders' approval, shall be appropriately referred to in the Board's Report to the Shareholders along with the justification for entering into such contract or arrangement.

11.2 The Company shall also maintain register(s) containing particulars of all contracts or arrangements entered into with related parties to which Section 188 of the Act applies and particulars of those Companies, firms or other entities in which a Director holds more than two percent shareholding or is a promoter, manager, Chief Executive Officer or is a partner, owner or member, as the case may be. The register(s) shall be placed at the Board meeting for perusal of the Directors.

11.3 The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also in its Annual Report as may be required under the Act and the Listing Agreement. Web link to the Policy shall also be provided in the Annual Report.

11.4 Quarterly disclosure of details of all material transactions with related party transactions along with the compliance report on corporate governance.

11.5 This Policy shall be communicated to all operational employees and other concerned personnel of the Company.

12. Penalties for Non-Compliance

Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions with respect to company law in this regard shall:

(i) In case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine of minimum INR 25,000, which may extend to INR 5,00,000, or with both; and

(ii) In case of any other company, be punishable with fine of minimum INR 25,000, which may extend to INR 5,00,000.

13. Material Subsidiary:

Clause 49 (V) of the Listing Agreement *inter alia* provides that a company shall formulate a policy for determining 'material' subsidiaries and such policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

A subsidiary shall be considered as material if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

Annexure A

Prior approval of Members by means of special resolution

In the following circumstances, in addition to approval of Board of Directors, prior approval of members by means of a special resolution must also be sought before entering into any related party transaction:

a. All related party transactions in case of a company having a **paid-up share capital of Rs. 10 Crores or more,**

b. Sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 25% of the annual turnover.

c. Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding 10% of net worth.

d. Leasing of property of any kind exceeding 10% of the net worth or exceeding 10% of turnover.

e. Availing or rendering of any services directly or through appointment of agents exceeding 10% of the net worth.

f. 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 Lakhs.

g. Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth.

The Turnover or Net Worth shall be on the basis of the Audited Financial Statement of the preceding financial year.

In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

Disclosure norms

Disclosures to be made in notice of Board Meeting

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose:

- Approval of the Audit Committee, whether specific or omnibus.
- name of the related party and nature of relationship;
- nature, duration of the contract and particulars of the contract or arrangement;
- material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any; and
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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; and
- any other information relevant or important for the Board to take a decision on the proposed transaction.

Disclosure by interested directors

Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into

- with a body corporate in which such director or such director in association with any other director, holds more than 2% shareholding of that body corporate, or
- with a body corporate in which such director is a promoter, manager, Chief Executive Officer of that body corporate; or
- with a firm or other entity in which, such director is a partner, owner or member, as the case may be
- shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed.
- Where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

Disclosures to be made in the explanatory statement to be annexed to notice of general meeting:

- name of the related party ;
- name of the director or key managerial personnel who is related, if any;
- nature of relationship;
- nature, material terms, monetary value and particulars of the contract or arrangement;
- any other information relevant or important for the members to take a decision on the proposed resolution.

Disclosures to be made in Board's Report:

Every related party transaction or contract shall be disclosed in the Board's report along with the justification for entering into such contract or arrangement.

- Disclosures to be made in Register of contracts or arrangements in which directors are interested
- Every company shall maintain one or more registers in Form MBP 4, and shall enter therein the particulars of contracts or arrangements with a related party with respect to transactions to which section 188 applies.