

Nalwa Sons Investments Limited

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POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

*(Adopted by the Board of Directors on 12th August, 2014 and last amended on 11th February,
2022)*

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 Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”), as may be amended from time to time, 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.

"Audit Committee or Committee" means "Audit Committee" constituted by the Board of Directors of the Company constituted under provisions of LODR and Companies Act, 2013, from time to time.

"Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.

"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 definition, "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;

the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

"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;
- (iii) Chief Financial Officer

"Material Related Party Transaction" means a transaction with a related party 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 percent (or such other limit as may be specified under applicable laws / regulations, as the case may be) of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.

Provided further that, notwithstanding anything as mentioned 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 two percent (or such other limit as may be specified under applicable laws / regulations, as the case may be)

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 LODR 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 :
- Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is —
 - a. a holding, subsidiary or an associate company of such company ;
 - b. a subsidiary of a holding company to which it is also a subsidiary ; or
 - c. an investing company or the venturer of the company;"

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

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

“Related Party” as per Regulation 2(zb) of the LODR means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

- a) any person or entity forming a part of the promoter or promoter group of the listed entity; 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 listed entity 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:”

Provided Further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s).

“**Related Party Transaction**” as per Regulation 2(zc) of the LODR means a 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, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the 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
 - iv. buy-back of securities.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

As per Section 188(1) of the Companies Act, 2013, related part transaction means 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:

Note:

1. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.
2. Office of Place of Profit Shall mean anything by way of remuneration over and above the remuneration to which he is entitled as director/KMP/Relative, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

"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)

Material Modifications:

- a) Quantitative criteria: any variation which may have impact of 20% or more in commercials of any material related party transaction.
- b) Qualitative criteria: any modification which may change the entire nature / structure of any material related party transaction.

4 Compliance Officer

- 4.1 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 Chairman & Managing Director of the Company.

- 4.2 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.
- 4.3 The Compliance Officer shall assist the Directors and Key Managerial Personnel and provide any clarifications on the provisions of this Policy.

5. Procedural Rules

- 5.1 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 in this Policy, as communicated by the Company Secretary.
- 5.2 The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year.
- 5.3 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.
- 5.4 For the purpose of implementing the provisions under this Policy, full and sufficient information about the Transactions covered under this Policy, shall be placed before the Audit Committee and Board of Directors of the Company on timely basis.
- 5.5 The related party policy as approved by the Board shall be reviewed by the Board of Directors at least once in every three years and updated accordingly.

6 Review Mechanism/Approval/Ratification

- 6.1 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 and subsequent material modifications will be done with prior approval of the Audit Committee.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that, prior approval of the Audit Committee of the Board shall be required, for the below mentioned transaction(s):

- a) a related party transaction to which the subsidiary of a Company is a party but the Company is not a party and if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- b) with effect from April 1, 2023, a related party transaction to which the subsidiary of a Company is a party but the Company is not a party and 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;

However, prior approval of the 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 these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

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 and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company;
- (c) the omnibus approval shall specify:
 - (i) Type, material terms and particulars of the proposed transaction;
 - (ii) 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);
 - (iii) Tenure of the proposed transaction (particular tenure shall be specified);

- (iv) Value of the proposed transaction;
- (v) 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);
- (vi) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - details of the source of funds in connection with the proposed transaction;
 - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - (a) nature of indebtedness;
 - (b) cost of funds; and
 - (c) tenure;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- (vii) Justification as to why the RPT is in the interest of the listed entity;
- (viii) A copy of the valuation or other external party report, if any such report has been relied upon;
- (ix) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- (x) the indicative base price / current contracted price and the formula for variation in the price if any; and
- (xi) 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 rupees one crore per transaction.

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals 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:

("LODR")

- (II) All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve

such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders 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 these regulations are applicable to such listed subsidiary.

Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

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*).

- 6.2 all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.
- 6.3 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.
- 6.4 All Related Party Transactions will be reported/referred to the Audit Committee of the Board 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.

- 6.5 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.

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

- 7.1 Transaction(s) to be entered into with a Related Party which are otherwise than in Ordinary Course of Business and on arm's length and exceeds the threshold limits provided under the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time and all Material Transaction (whether in ordinary course of business and on arm's length or not) and subsequent material modifications,, shall not be entered into unless prior approval of the Board and Shareholders by way of Resolution is obtained.

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.

- 7.2 In the case of a wholly owned subsidiary, the 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.

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

- 8.1 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.

- 8.2 The Compliance Officer shall ensure that details of such transactions, after approval of the Audit Committee, are brought to the notice of Chairman & Managing Director and discussed with the Board at the next following meeting, as may be required.
- 8.3 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.

9. Disclosure

- 9.1 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.
- 9.2 The Company shall also maintain register(s) in the manner prescribed under Rule 16 of Companies (Meeting of Board and its Powers) Rules, 2014, 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.
- 9.3 The Company shall disclose the Policy on dealing with Related Party Transactions on its website as may be required under the Act and the LODR. Web link to the Policy shall also be provided in the Annual Report.
- 9.4 Quarterly disclosure of details of all material transactions with related party transactions along with the compliance report on corporate governance.

9.5 The Company shall in every six month make the disclosure of the related party transaction to the stock exchanges, within 15 days from the date of publication of its standalone and consolidated financial results for the half year, in the format specified by the Securities Exchange Board of India.

However, w.e.f. April 01, 2023, the Company shall make such disclosure on the date of publication of its standalone and consolidated financial results.

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

10. 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.

11. Material Subsidiary:

As per Regulation 16(1)(c) of the LODR, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds ten percent (or such other limit as may be specified under applicable laws / regulations, as the case may be) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

The Explanation to the said Regulation also provides that the listed entity shall formulate a policy for determining ‘material’ subsidiary.