

Policy On Related Party Transactions*

1. SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (LODR) Regulations 2015, (“NCL Industries Limited” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23 of the SEBI (LODR) Regulations 2015 requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In light of the above, Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

The Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out

- (a) the materiality thresholds for related party transactions and;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the LODR Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

“Arm’s length transaction (‘ALT’)” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2 (zb) of the LODR Regulations

“Related Party Transaction” (RPT) means –
for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;

for the purpose of the LODR Regulations, any transaction 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.

A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

4. MATERIALITY THRESHOLDS

4.1 Regulation 23 of the LODR Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. A transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the threshold specified under Schedule XII of these regulations i.e., ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower or such threshold prescribed by SEBI from time to time.

4.2 Transactions involving payments to a related party towards brand usage or royalty shall be treated as Material Related Party Transactions if such transactions, individually or taken together during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited consolidated financial statements.

4.3 Transactions by Subsidiaries

Any Related Party Transaction exceeding Rupees One Crore, entered into by a subsidiary of the Listed Entity, to which the Listed Entity is not a party, shall require prior approval of the Audit Committee of the Listed Entity if the value of such transaction exceeds the lower of:

(i) 10% of the annual standalone turnover of the subsidiary as per its last audited financial statements; or

(ii) the threshold prescribed for material related party transactions under the SEBI (LODR) Regulations, 2015.

4.4 With effect from April 1, 2023, any related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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.

4.5 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 LODR are applicable to such listed subsidiary.

4.6 Approval of the Audit Committee of the Company shall not be required for the 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, provided that the same is not material in terms of the provisions of Regulation 23(1) of LODR.

4.7 All Related Party Transactions involving subsidiaries of the Company, whether the Company is a party to such transactions or not, shall be governed by and complied with in accordance with the regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

5.1 Identification of related parties

The Company maintains and constantly updates a list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 23 of the LODR Regulations.

5.2 Identification of related party transactions

The list of identified related parties is circulated to all operating departments. Operational Functionaries are asked to inform the Accounts and Secretarial Departments of any transactions proposed or concluded with the related parties.

Based on the manner in which the transaction is concluded or proposed to be concluded, the Accounts/Secretarial Department determines whether the transaction is in the ordinary course of business and at arm's length basis. Wherever considered necessary, the Secretarial Department seeks external professional opinion in this regard.

6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

6.1 Approval of the Audit Committee

All related party transactions require Prior approval of the Audit Committee (except for transactions approved under omnibus approval of the Audit Committee).

6.2 Omnibus approval

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

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

The omnibus approval shall provide –

- a) the name/s of the related party,
- b) nature of transaction,
- c) period of transaction,
- d) maximum amount of transaction that can be entered into,
- e) the indicative base price / current contracted price and the formula for variation in the price if any and
- f) such other conditions as the Audit Committee may deem fit.

ii. However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

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

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

6.3 Material Modifications to Related Party Transactions

Pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit Committee shall review and approve any material modification to a Related Party Transaction.

For the purpose of this Policy, “material modification” means any modification to an existing Related Party Transaction which, individually or cumulatively with previous modifications during a financial year, results in:

- an increase or decrease of 10% or more in the transaction value; or
- a material change in the nature, scope, terms, tenure, pricing or overall commercial arrangement of the transaction, as determined by the Audit Committee.

Any such material modification shall require prior approval of the Audit Committee and such other approvals as may be required under applicable law.

6.4 Factors to be considered

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- i. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed\
- ii. Key terms (such as price and other commercial compensation contemplated under the proposed transaction, including value and quantum.
- iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- iv. Special terms, if any covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction
- v. comparative analysis, if any, of other such transaction entered into by the company.
- vi. Justification as to why the RPT is in the interest of the Company;
- vii. Any other information that may be relevant.

6.5 Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

(i) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

(ii) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;

(iii) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.

(iv) Transactions meeting the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

6.6 Approval of the Shareholders of the Company

All the transactions with related parties beyond the materiality thresholds, laid down in Clause 4 of the Policy, are placed before the shareholders for approval. Related parties shall abstain from voting where ever required under law.

Exemptions under Companies Act and SEBI Regulations, including transactions between wholly owned subsidiaries and other permitted exemptions shall apply.

7. DISCLOSURES

NCL shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, NCL shall also provide details of all related party transactions before the Audit Committee on a quarterly basis.

NCL shall submit to the stock exchanges half-yearly disclosures of related party transactions, in the format and within the timelines prescribed under the SEBI (LODR) Regulations. The Policy on Related Party Transactions shall be hosted on the website of the Company.

8. 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 prior to its consummation, the matter shall be reviewed by the Audit Committee.

In connection with the review and approval of Related Party Transactions, the Audit Committee shall have the authority to examine the terms, nature, materiality and commercial rationale of such transactions and may recommend such modifications, conditions or actions as it may deem appropriate in the interest of the Company and in compliance with applicable laws.

The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination 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.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc.

In connection with any review/approval of a related party transaction, the Audit Committee has authority to review the policy periodically and recommend amendments to the Board to align with regulatory Changes.