

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 (“Listing Regulations”) requires a company to formulate a policy on materiality of related party transactions and 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 and rules framed thereunder and applicable provisions of Listing Regulations. No Related-Party Transaction may be entered into by the Company, except 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 and;
- (b) the manner of dealing with the transactions between the Company and its related parties

based on the Companies Act, 2013, 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 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.

“**Material Related-Party Transaction**” means any transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceed the threshold specified in Clause 5 of this policy.

“**Related Party**” shall have the meaning provided in regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 2(76) of the Companies Act, 2013 including all amendments and modifications thereof from time to time.

“**Related Party Transaction**” means a transfer of resources, services or obligations between the company and a related party, 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.

“**Relative**” means relative as defined under sub-section (77) of Section 2 of the Companies Act, 2013 and Rules prescribed there under.

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(s) in accordance with the definition given in the listing regulations. 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 companies, firms, body corporate(s) or concerns at the beginning of every financial year and 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 directly or indirectly.

The Audit Committee, in consultation with the management, will review and determine whether any Transaction with such Party(s) will constitute a Related Party Transaction requiring compliance with this RPT policy. Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and abstain from participating in the discussion and voting for such item under consideration by Audit Committee and Board, as the case may be.

ii. Procedure for approval of related party transactions

Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee. However, Related Party Transactions, other than transactions referred to in section 188 of the Companies Act, 2013, with the wholly owned subsidiaries are exempted from any approval requirement and would require only periodical reporting, preferably on quarterly basis.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

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.

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;

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.

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

Approval of JM Financial Asset Reconstruction Company Limited ("JMFARC")

As per the term sheet dated January 23, 2018 entered into with JMFARC for restructuring of the debts of the company. All related party transactions shall require approval of JMFARC until all the debts liable to be paid by the company to JMFARC are repaid.

Approval of the Board of Directors

All kinds of transactions specified under Section 188 of the Companies Act, 2013 and which are not in the ordinary course of business or at arm's length basis, 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 abstain from voting when such transaction is being considered.

Approval of the Shareholders

All material related party transactions shall require approval of shareholders by way of an ordinary resolution and all the related parties (if any) shall not vote to approve the transaction, irrespective of whether the concerned entity is a party to the particular transaction or not.

However, approval of shareholders shall not be required for transactions entered between the 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.

5. MATERIALITY THRESHOLDS

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 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

However, 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 5% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

In addition to the limits provided above a transaction will be considered as material related party transaction if it exceeds the following threshold(s);

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).

The Company will also disclose the details of all material related party transactions on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under Regulation 27(2)(b) of the Listing Regulations.

Further, the Company shall submit within 30 days from the date of publication of Standalone and Consolidated financial results for the half year, disclosure of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results, to the stock exchanges and publish the same on its website.

This policy shall also be uploaded on the website of the Company at www.nitco.in and a weblink 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 Companies Act, 2013, 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 Companies Act, 2013, or 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.
