

NELCO LIMITED

Nelco Limited (“The Company”)

Related Party Transaction Policy

(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 interests of the company and its shareholders. This policy is intended to ensure proper approval and reporting of transactions between the Company and any of its related parties as prescribed under the Companies Act, 2013 (“the Act”) read with rules framed there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 collectively hereinafter referred to as “the Applicable Law” and as amended from time to time. Nelco Limited has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI LODR requires a company to formulate a policy on materiality of related party transactions and dealing with RPTs. The said policy is required to include clear threshold limits approved by the Board.

In light of the above, Nelco Ltd. 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 of Directors. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board. In addition to the above, this Policy shall be reviewed by the Board of Directors at least once in three years.

(2) OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for RPTs and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI LODR and any other statute as may be applicable to the Company.

(3) MATERIALITY THRESHOLDS

The policy on materiality is as stated in Annexure-1.

(4) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

A. Identification of Related Parties:

Nelco shall identify Related Parties as per the definition provided in the applicable laws and regulations, including the Companies Act 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

The Company shall regularly verify and update the Related Party List and review and confirm (at least once a quarter) in accordance with the Applicable Law as prevalent.

B. Identification of Related Party Transactions (“Covered Transactions”):

As a policy, Nelco will identify from time to time the transactions falling under contracts and arrangements, as per the Applicable Law, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as applicable. Currently, Nelco Ltd. has identified the RPTs and categorized them into broad categories e.g. Contract/arrangement for providing services, Corporate Guarantees, Deposits and reimbursement of expenses etc.

Any other RPT identified during the periodic review not covered under any specific broad category shall be independently reviewed, approved and included for conformance as a part of Related Party Policy mechanism.

NELCO LIMITED

Nelco shall report the transactions entered into with related parties identified as per Clause 4 (A) of this policy and put the same for necessary approvals required as per the Applicable Law.

C. Procedure for Approval of Transactions with Related Parties

a) Approval of the Audit Committee

All Related Party transactions require prior approval of the Audit Committee. However, Nelco may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the following:

1. The audit committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following namely
 - a. Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year
 - b. The maximum value per transaction which can be allowed
 - c. Extent and manner of disclosure to be made to the Audit Committee at the time of seeking omnibus approval
 - d. 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
 - e. Transactions which cannot be subject to the omnibus approval by the Audit Committee
2. Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval namely;
 - a. Repetitiveness of transactions (in the past or in future)
 - b. Justification for the need of omnibus approval
3. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
4. The omnibus approval shall contain or indicate the following;
 - a. Name of the Related parties
 - b. Nature and duration of the transaction
 - c. Maximum amount of the transaction that can be entered into
 - d. The indicative base price or current contracted price and the formula for variation in the price, if any and
 - e. Any other information relevant or important for the audit committee to take a decision on the proposed transaction

Provided that where the need for the Related Party transactions cannot be foreseen and as aforesaid details are not available, Audit Committee may make omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.

5. Omnibus Approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
6. Omnibus Approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company
7. Any other condition the Audit Committee may deem fit

For each category of transactions identified as per the Clause 4(B) of this policy, Nelco has framed specific Framework and Guidelines explaining the arm's length criteria to be followed by the Company while entering into transactions falling under contracts and agreements with related parties identified as per Clause 4(A) of this policy. Nelco, while entering into Related Party transactions will ensure adherence with these Guidelines and will maintain necessary documents for the same.

NELCO LIMITED

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board will 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 – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- ii) Key terms (such as price and other commercial compensation contemplated under the arrangement) of 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 covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- v) Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the company.

In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

Approval or subsequent modification of a transaction (other than those transactions stipulated under Section 188 of the Act) with the Company's wholly owned subsidiaries, shall not require approval of the Audit Committee.

b) 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 not at arm's length basis, will be placed before the Board for its approval. However, such approval shall not be obtained through Circular Resolution. The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether a Related Party Transaction is in the Ordinary Course of Business and/ or at Arms' Length.

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

- 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;
- 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;
- 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.
- Transactions meeting the materiality thresholds laid down in Clause 3 of the Policy, which are intended to be placed before the shareholders for approval.

NELCO LIMITED

Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution related to such contract or arrangement.

c) Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, laid down in Annexure-1, are placed before the shareholders for approval by resolution.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time shall be placed before the shareholders for its approval. For this purpose, no related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

Pursuant to the Companies (Amendment) Act, 2015 and Regulation 23(5)(b) of the SEBI LODR, the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company. Hence, no approval at the general meeting shall be sought from the shareholders for such Related Party Transactions.

(5) Ordinary Course of Business

The Framework and Guidelines shall provide for determining whether transactions are in the ordinary course of business.

(6) Disclosure and Reporting

Details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee and Board meeting wherever necessary.

The Company shall disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with related parties. In addition, as required under Regulation 23(9) of the SEBI LODR, the Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of RPTs 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.

Director's report shall contain details of Related Party Transactions as required under Applicable Law.

This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

(7) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event Nelco 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. 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 as it deems appropriate.

NELCO LIMITED

In case any transaction involving any amount not exceeding one crore rupees is entered into by a Director or employee of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the company against any loss incurred by it.

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 modify or waive any procedural requirements of this Policy.

Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a related party to any Director, or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

Any Director or any other employee of the Company, who has entered into or authorised the contract or arrangement in violation of the provisions, shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ₹ 25,000/- but which may extend to ₹ 5 lakh, or with both. Further, nothing precludes the Board / Company from taking any other legal action against the concerned Director / employee, as available under any other law for the time being in force.

Policy on materiality of Related Party Transactions

1. Objective

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, requires a company to *inter alia* formulate a policy on materiality of related party transactions (including clear threshold limits duly approved by the Board of Directors).

2. Materiality limits

2.1 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 ten percent of the annual consolidated turnover of the Company as per last audited financial statements of the Company, or such other threshold as may be prescribed under the Explanation from time to time.

2.2 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 such other threshold as may be prescribed from time to time under SEBI LODR.

3. Applicability

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.