



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. The Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board. Nelco Limited has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

(2) OBJECTIVE OF THE POLICY

This policy sets forth the guidelines as per the Applicable Law in relation to Related Party Transactions, covering but not limited to identification, approvals and disclosure of related party transactions.

(3) MATERIALITY THRESHOLDS

Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a resolution. Nelco has fixed its materiality threshold at the level prescribed under Regulation 23 (1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time which is at present 10% of the annual consolidated turnover of the company as per last audited financial statements of the company.

(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.

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 following conditions namely:

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.

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.

Regulation 23 (5) provides that the requirement for seeking Audit Committee approval shall not be applicable to transactions between Nelco Ltd. and its wholly owned subsidiary/ies whose accounts are consolidated with Nelco Ltd.

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.

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.

Agenda of the Board Meeting at which the aforesaid approval is being sought shall contain the details as mentioned under rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 as amended from time to time.

c) Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, laid down in Clause 3 of the Policy, will be placed before the shareholders for approval by resolution.

For this purpose, the term “Related Party” refers only to such related party as may be a related party in the context of the contract or arrangement for which the said ordinary resolution is being passed.

Regulation 23 (5) provides that the requirement for seeking Audit Committee approval shall not be applicable to transactions between Nelco Ltd. and its wholly owned subsidiary/ies whose accounts are consolidated with Nelco Ltd.

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 (*current thresholds as per table below) laid down in the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, are placed before the shareholders for its approval.

Category of Transaction	Thresholds
Sale, purchase or supply of any goods or materials	10% of turnover or Rs. 100 crore, whichever is lower
Selling or otherwise disposing of, or buying, property of any kind;	10% of net worth or Rs. 100 crore, whichever is lower
Leasing of property of any kind;	10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower
Availing or rendering of any services;	10% of turnover or Rs 50 crore, whichever is lower
Such 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 lakhs
Underwriting the subscription of any securities or derivatives thereof, of the company	1% of net worth
Any other transaction	Not applicable

Explanation: The Turnover or Net worth referred in above shall be computed on the basis of the audited financial statements of preceding financial year.

APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

(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.

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.

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.

(8) INTERPRETATION

All the definitions used in this policy should be limited to the meaning as derived under or referred to 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.