

NATIONAL FITTINGS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

National Fittings Limited (NFL), is a Listed Public Limited Company registered under the Companies Act, 1956

1. Introduction

National Fittings Limited (NFL or The Company) recognizes that Related Party Transactions may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

1.2 Scope and purpose of the policy

The Board of Directors of the company on the recommendation of Audit Committee has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by company to ensure compliance with the Law. The Policy on Related Party Transaction may be reviewed, approved and amended from time to time by the Board of Directors of the Company on the recommendation of the Audit Committee.

Securities Exchange Board of India (SEBI), vide Notification Dated 2nd September, 2015, has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) applicable w.e.f. 1st December, 2015, requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with the above requirement.

2. Definitions

2.1 Act:

Act means the Companies Act, 2013 including any amendment or modification thereof.

2.2 **Arm's Length Transaction:**

Arm's Length Transaction means a transaction between two related parties that is conducted as if they were unrelated.

2.3 **Associate:**

Associate means a company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, —Accounting for Investments in Associates in Consolidated Financial Statementsl.

2.4 **Audit Committee:**

Audit Committee means the Committee of the Board formed under section 177 of the Act and Regulation 18 of the Listing Regulations.

2.5 **Body Corporate:**

Body Corporatell means an entity as defined in Section 2(11) of the Companies Act, 2013.

2.6 **Company:**

Company means National Fittings Limited.

2.7 **Director:**

Director means a person as defined in Section 2(34) of the Companies Act, 2013.

2.8 **Employees:**

Employees shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.

2.9 **Key Managerial Personnel:**

Key Managerial Personnel as defined in Section 2(51) of the Companies Act, 2013, in relation to the Company, means —

- i. Chief Executive Officer or the Managing Director or the Manager
- ii. Company Secretary.
- iii. Whole Time Director
- iv. Chief Financial Officer and
- v. Such other officer as may be prescribed.

2.10 **“Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2.11 **Related party:**

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013 which are as follows;
 - (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 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) Anybody 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; [Except advice, directions or instructions given in a professional capacity]
 - (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act; [Except advice, directions or instructions given in a professional capacity]
 - (viii) Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary.
 - (ix) such other person as may be prescribed. or
- (ii) such entity is a related party under the applicable accounting standards. The applicable Accounting Standards 18 issued by ICAI defines related party as under:

parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/ or operating decisions.

2.12 **Related party Transactions:**

Transactions covered under this policy includes any contract or arrangement with a related party with respect to transactions defined as —Related Party Transaction under Section 188 of the Companies Act, 2013 and Regulation 23 (1) of the Listing Regulations.

- (i) As per explanation of Regulation 23 (1) of the Listing Regulations, Material Related Party Transaction shall mean 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 ten percent of the **annual consolidated turnover** of the company as per the last audited financial statements of the company.

- (ii) Contracts entered into by companies, after making necessary compliance under Section 297 of the Companies Act, 1956, which already came into effect before commencement of Section 188 of the Companies Act, 2013, shall not require fresh approval under said Section 188 till expiry of the original term of such contracts. However, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.

2.13 Ordinary course of business:

Ordinary course of business means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes:

- (i) Sitting fee paid to the Independent Directors;
- (ii) Transactions with wholly owned subsidiary Companies including Special Purpose Vehicles (SPVs)
 - (a) granting loans or providing corporate guarantee for loans to be taken by SPVs;
 - (b) consultancy services or
 - (c) any transactions that are not on arm's length.
- (iii) Infusion of equity in the Joint Ventures Companies and the dividend received from such Joint Venture Companies.
- (iv) Such other transactions as the Audit Committee/Board may decide from time to time.

2.14 Policy:

Policy means Related Part Transaction Policy

2.15 Relative:

Relative'', with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed, which is as follows:
 - (a) Father (including step-father)

- (b) Mother (including step-mother)
- (c) Son (including step-son)
- (d) Son's wife
- (e) Daughter
- (f) Daughter's husband
- (g) Brother (including step-brother)
- (h) Sister (including step-sister)

2.16 Subsidiary:

Subsidiary means a company as defined in Section 2(87) of the Companies Act, 2013.

2.17 Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contract Regulation Act or any other applicable law or regulation.

3. Approval of Related Party Transactions

- (I) As per section 188 of the Companies Act, 2013 except with consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into 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.

Transactions that, require previous approval of Shareholders of the Company, as prescribed under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014,

includes the transactions/contracts/ arrangements as follows:

NATURE OF RELATED PARTY TRANSACTIONS	FROM 14TH AUGUST, 2014
Sale, purchase of supply of any goods or materials directly or through appointment of agents (or)	Exceeding 10% of Turnover of Company or Rupees 100 crore whichever is lower
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents (or)	Exceeding 10% of networth or Rupees 100 crore whichever is lower

Leasing of property of any kind (or)	Exceeding 10% of the Net worth of company or 10% of Turnover of company of Rs. 100 crore, whichever is lower.
Availing or rendering of any services directly or through appointment of agents (or)	Exceeding 10% of Turnover of Company or Rupees 50 crore whichever is lower
Appointment of any office or place of profit in the company, its subsidiary company or associate company (or)	Monthly remuneration exceeding Rs. 2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivative	Exceeding 1% of net worth

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transaction which are not on arm's length basis.

(II) In terms of Regulation 23 (5) of the Listing Regulations, all Related Party Transactions shall require prior approval of the Audit Committee other than the following:

- (i) transactions entered into between two government companies;
- (ii) transactions entered into between a holding 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.

Explanation (i): For the purpose of Regulation 23 (5) of the Listing Regulations, "Government company(ies)" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation (ii): For the purpose of Regulation 23 (7) of the Listing Regulations, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not."

However, 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 grant omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall grant omnibus approval to the transactions which are in the ordinary course of business and the transactions which are on arm's length basis.

- c. The Audit Committee shall grant omnibus approval to all such transactions as the Audit Committee may consider proper.
- d. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- e. Such omnibus approval shall specify:
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any and
 - (iii) such other conditions or criteria's, 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 Rs.1 crore per transaction.

- f. The Related Party Transactions entered into by the company pursuant to each of the omnibus approval given shall be informed to the Audit Committee on a quarterly basis for review.
- g. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

(III) In terms of Regulation 23 (4) of the Listing Regulations, all material Related Party Transactions other than the following shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

- (i) transactions entered into between two government companies;
- (ii) transactions entered into between a holding 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.

Explanation (i): For the purpose of Regulation 23 (5) of the Listing Regulations, "Government company(ies)" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation (ii): For the purpose of Regulation 23 (7) of the Listing Regulations, all entities falling under the definition of related parties shall ~~abstain from voting irrespective of whether the entity is a party to the~~

particular transaction or not."

(IV) Additionally, Related party transactions, as explained in Clause 2.12 above, require approval of Board of Directors in terms of Section 188 of the Companies Act, 2013.

4. Transactions which do not require approval

The approval of Related Party Transactions shall not be required for transactions in the ordinary course of business entered into between:

- (i) two government companies;
- (ii) a holding 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. Procedures

5.1 Identification of Related Party Transactions

5.1.1. The respective Directors/KMPs/Executive Directors/Head of Department will ensure that their notice of any potential Related Party Transaction (being any contract or other services proposed to be entered with JVs, Subsidiaries and SPVs including appointment of/to any office or place of profit in any JVs, Subsidiaries or SPVs) is delivered well in advance to the Audit Committee and Board, so that the Audit Committee and Board has adequate time to obtain and review information about the proposed transaction.

5.1.2. Executive Directors/Head of Department shall intimate to Corporate Finance and to Company Secretariat Deptt. within ten days of end of each quarter all the transactions with related parties.

Based on the above, all the related party transactions entered into during each quarter shall be put up to the Audit Committee and Board along with Quarterly/Annual Accounts.

5.2 Review and approval of Related Party Transactions

5.2.1. Audit Committee

All the transactions with the related party other than transactions falling under Clause 4

should be approved by the Audit Committee before entering into such transaction. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- Name of party and details explaining nature of relationship
- Nature of transaction and material terms thereof including duration of transaction and the value of transaction, if any;
- the manner of determining the pricing to ascertain whether the same is on arm's length
- Business rationale for entering into such transaction

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

If the committee determines that the related party transaction is (i) a Material related party transaction or (ii) Transactions are not in the ordinary course of business or (iii) not at the arm's length, the Audit Committee shall place the matter before the board for obtaining its approval and if necessary for shareholders' approval.

5.2.2. Board of Directors

All transactions other than transactions falling under Clause 4 shall require the approval of the Board of Directors, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the consideration set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Any member of the Board who has any potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

If the Board determines that any related party transactions require approval of the Shareholders of the Company, the same shall be placed before the Shareholders of the Company for obtaining their approval.

5.2.3. Shareholder approval

In case Board refers a related party transaction for seeking approval of the shareholders as per the provisions of Companies Act 2013 or otherwise, in such cases, if any member of company is a related party as per this policy, such member of the company shall not vote on resolution passed for approving such related party transaction.

6. Disclosures

6.1. Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into —

(a) With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

(b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be;

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

6.2. The related party transaction entered into with the related party/ies shall be disclosed in the Annual Report/Accounts as per the disclosure requirement of the Companies Act, 2013 and Schedule V of the Listing Regulations.

6.3. The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contract or Arrangements in which Directors are interested, maintained by the Company and all the compliance related thereto shall be done by the Company Secretary as per the provisions of the Companies Act, 2013 and Listing Regulations.

6.4. All entities falling under the definition of related parties shall abstain from voting (at the Board Meeting or at Annual General Meeting or by passing of resolution through Postal Ballot), when such matter is put up for consideration/approval irrespective of whether the entity is a party to the particular transaction/ contract / arrangement or not.

6.5. The Policy on Related Party Transaction shall be disclosed on the website of the Company

and a web link thereto shall also be provided in the Annual Report.

7. Ratification

- 7.1 Any Related Party Transaction entered into without obtaining the prior approval of the Audit/ Board/ Shareholders (respective authority/ies) may be ratified, subject to the applicable provisions of the Companies Act, 2013 and the Listing Regulations, if post review of the said transaction / contract, the appropriate authority is satisfied, that the said Related Party Transaction is not detrimental to the interest of the Company, however, the appropriate authority may also ratify such transaction or contracts, with or without the modification(s).
- 7.2. If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority.
- 7.3. However, the Related Party transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority, the applicable provisions of the Companies Act, 2013 and Listing Regulations, shall apply.