



TULSYAN NEC LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

PREFACE

Section 188 of the Companies Act, 2013 requires *“Except with the 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 certain transactions”*.

As per SEBI circular dated 17th April 2014, the revised provisions of Clause 49 of the Listing Agreement with respect to Related Party Transactions shall be applicable to all prospective transactions. As per the circular, the Company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

The Board of Directors (the “Board”) of Tulsy NEC Limited (“the Company”), acting upon the recommendation of its Audit Committee (the “Committee”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Committee will review and amend this policy from time to time in order to be in line with Regulatory requirements.

Purpose

This policy is intended to ensure the proper approval and reporting of transactions between the Company and its related parties. Such transactions are appropriate only if they are in the best interest of the Company and the Company’s stakeholders.

The Company is required to disclose details of all material transactions with related parties quarterly along with the compliance report on Corporate Governance.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report. In addition, the Committee and the Board review any Related Party Transactions involving non-employee directors as part of the annual determination of their independence.

Every contract or arrangement with related parties shall be referred in the Board’s report to the shareholders along with justification for such contract or arrangement. As per Accounting



Standards-18, disclosures in relation to related party transactions are to be made by the Company in the financial statements {Sec.188 (2) of the Companies Act, 2013}.

Definitions

“Related party”:

A) As per sec 2(76) of the Companies Act 2013, Related party with reference to a company, means—

- 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. any Body 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;
- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii. any Company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- ix. A director other than an independent director or key managerial personnel of the holding company or his relative.



B) As per revised Clause 49 of Listing Agreement

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; or*
- (ii) such entity is a related party under the applicable accounting standards."*

"Relative": As per sec 2(77) of the Companies Act 2013, 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 the following manner;
 - Father including step-father, Mother including step-mother, Son including step-son, Son's wife, Daughter, Daughter's husband, Brother including step-brother, Sister including step-sister.

"Related party transactions"

As per sec 188(1) of the Companies Act, 2013

- a) Sale, purchase or supply of any goods or materials
- b) Selling or 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
- g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

As per revised Clause 49 of Listing Agreement

Transfer of Resources, services or obligations between a Company and a related party, regardless of whether a price is charged or not.



“Material Related Party Transactions”

The 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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Control:

As per SEBI(SAST) Regulations, 2011, the term “control” includes the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a Director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position.

Reporting and procedural aspects with respect to related party transactions

All Related Party Transactions must be reported to Director-Finance and Accounts. All related party transactions shall require prior approval of the Audit Committee. The Company shall be required to comply with the provisions of Companies (Meetings of Board and its Powers) Rules, 2014 as outlined below.

A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

(1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- a) the name of the related party and nature of relationship;
- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and



g) any other information relevant or important for the Board to take a decision on the proposed transaction.

(2) 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 relating to such contract or arrangement-

(3) For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a special resolution, a Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into—

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below—

(i) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding ten percent of the turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

(ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent, exceeding ten percent of net worth of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind exceeding ten percent of the net worth of the Company or ten percent of turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services directly or through appointment of agent, exceeding ten percent of the turnover of the Company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;

(b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or

(c) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188;



section 188.

Explanation.- (1) The Turnover or Net Worth referred in the above sub-rules shall be on the basis of the Audited Financial Statements of the preceding Financial year.

(2) In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

(3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the Companies Act, 2013 shall contain the following particulars namely:-

- (a) Name of the related party;
- (b) Name of the director or key managerial personnel who is related, if any;
- (c) Nature of relationship;
- (d) Nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) Any other information relevant or important for the members to take a decision on the proposed resolution.

Further, as per the 2nd proviso to 188(1) of the Companies Act 2013, if the member is a related party, he is barred from casting his vote on such special resolution.

Identification of Potential Related Party Transactions

The related party or related parties, as the case may be, provide a written notice to the Director (Finance & Accounts) of the Company, of any potential Related Party Transaction involving him or her or his or her Immediate Family Member, including any additional information about the transaction that the Director may reasonably request. The Director concerned in consultation with other members of the management and with outside counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Director (Finance & Accounts) has adequate time to obtain and review information about the proposed transaction and to refer it to the appropriate approval authority.

Ratification of a Related Party Transactions by the Board or, as the case may be, by the shareholders at a meeting shall be made within three months from the date on which contract or arrangement was entered into. If not ratified, such contract or arrangement shall be voidable at the



option of the Board and if the contract or arrangement is with a related party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

Review and Approval of Related Party Transactions

Related Party Transactions involving a Significant Stockholder, Directors and related parties and/or their Immediate Family Members will be referred to the Committee for review and approval or ratification. Any member of the Committee who has a potential interest in any Related Party Transaction will excuse himself or herself and abstain from voting on the approval or ratification of the Related Party Transaction, but may participate in all or a portion of the Committee's discussions of the Related Party Transaction, if requested by the Chair of the Committee.

To review a Related Party Transaction, the Committee or the Director (Finance & Accounts) or the Board will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

In determining whether to approve or ratify a Related Party Transaction, the Committee or the Director (Finance & Accounts), the Board will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any Director, nominee for director or Executive Officer / KMP of the Company, taking into account the size of the transaction, the overall financial position of the Director, nominee for Director, Executive Officer, KMP or other Related Party, the direct or indirect nature of the Director's, nominee's, Executive Officer's, KMPs or other Related Party's interest in the



transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

In any case where either the Committee or the Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or the Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification and / or may take recourse to the provisions of Companies Act, 2013 and the SEBI circular, as amended, from time to time to deal with the related party transactions.

If the Committee or its Chair determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter, then the considerations 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.

Exemptions:

Approvals are not necessary for any transactions entered into by the company in its ordinary course of business other than those which are not on an arm length's basis. As per the explanation the expression "arms length transaction" means a transaction between two related parties conducted as if they were unrelated and there is no conflict of interest {Third proviso to Sec 188(1) of the Companies Act, 2013}.

Approval of the Audit Committee and the shareholders shall not be required in respect of 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 {provision to Clause 49(VII)(E) of the listing agreement}.

This represents the Policy of Related Party Transactions for Tulsyan NEC Limited.
