



Policy on Related Party Transactions

POLICY OF RELATED PARTY TRANSACTIONS

1. APPLICABILITY AND EFFECTIVE DATE

This amended policy will be applicable to the Company with effect from 01st June, 2020, to regulate transactions between the Company and its Related Parties based on the applicable laws, rules and regulations.

2. PURPOSE

This policy is framed as per requirement of Companies Act, 2013 and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. This Policy shall supplement other related circular(s), policies & practices / delegation of powers / manuals etc of the Company.

3. DEFINITIONS

“Arm’s 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 as defined in explanation (b) to Section 188 (1) of the Companies Act, 2013.

“Associate Company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation.—

(a) For the purposes of this clause, “significant influence” means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement;

(b) For the purposes of this clause, “Joint Venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

“Audit Committee” means the Audit Committee of the Board constituted under the provisions of Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors of NHDC Limited;

“Key Managerial Personnel” (KMP) in relation to NHDC means:

- (i) Managing Director/CEO.
- (ii) Company Secretary
- (iii) Whole-time Directors
- (iv) Chief Financial Officer,
- (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) Such other officer as may be prescribed.”

“Ordinary Course of Business” includes but is not limited to a term for activities that are necessary, normal, and incidental to the business. Indicative factors for determining the term ordinary course of business:

- (i) is normal or otherwise for the particular business (i.e. features, system, processes, advertising, staff training, etc.)
- (ii) is frequent and regular
- (iii) is a source of income to the business
- (iv) involves significant allocation / investment of resources
- (v) is involved in a service or product that is offered to customers.

“Related Party” 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 or relative 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 2% 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 body corporate which is-

- A. a holding, subsidiary or an associate company of such company;
- B. a subsidiary of a holding company to which it is also a subsidiary; or
- C. an investing company or the venturer of the company;

Explanation: For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) A Director (other than Independent Director) or KMP of the holding company or his relative with reference to a company.
- (x) Such other person as prescribed in the Companies Act and Rule.

“Related Party Transaction (RPT) means any contract or arrangement between the company and its related parties which fall under one or more of the following headings:

As per Section 188 of the Act:

- 1) Sale, purchase or supply of any goods or materials;
- 2) Selling or otherwise disposing of, or buying, property of any kind;
- 3) Leasing of property of any kind;
- 4) Availing or rendering of any services;
- 5) Appointment of any agent for purchase or sale of goods, materials, services or property;
- 6) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- 7) Underwriting the subscription of any securities or derivatives thereof, of the Company;

“Relative” means:

- 1. Members of HUF
- 2. Spouse
- 3. Father includes step-father
- 4. Mother includes the step-mother
- 5. Son includes the step-son
- 6. Son's wife
- 7. Daughter

8. Daughter's husband
9. Brother includes the step-brother
10. Sister includes the step-sister

(Based on the above, the relevant information (if any) shall be provided by Director/ KMP as per Annexure- II. Any Change in the information may be intimated to the company.)

“Subsidiary Company” means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

“Threshold Limit” means financial limits of related party transactions as per Annexure- I of this Policy.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

4. PROCESS OF APPROVAL FOR RELATED PARTY TRANSACTIONS

All Related Party Transactions entered shall be subject to the approval of the Audit Committee in accordance with this Policy. The approval of the competent authority as per this policy can be granted by way of circulation also.

In exceptional cases, where an approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the competent authority as per this policy may ratify the transaction(s) in accordance with this Policy.

The concerned HODs/ HOPs shall place an agenda before the Audit Committee and / or Board of Directors of all Related Party Transaction(s) requiring approvals (including omnibus approval or ratification) in accordance with this policy:

The concerned HOD/HOPs shall also be responsible to place the agenda for review of the Audit Committee on a quarterly basis, the details of RPTs entered into by the Company, if any, pursuant to each of the omnibus approval obtained under Point 4.1 of this Policy.

Approval of the Audit Committee/ Board / Shareholders, if required, shall be obtained from respective approving authority as under:

Details of Transaction(s)	Approving Authority
All Related Party Transactions and any subsequent modification	Audit Committee
RPTs which are not in Ordinary Course of Business or not on arm's length basis or both (less than threshold limits)	Recommendation by Audit Committee to the Board and Approval by the Board.
RPTs which are in not in Ordinary Course of Business or not on arm's length basis or both (beyond threshold limits)	Recommendation by Audit Committee to the Board; Recommendation by the Board to Shareholders and Approval by the Shareholders.

While submitting the proposal for approval of Audit Committee/Board/ Shareholders, the following details shall be provided:

- a. name of the related party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b. particulars of the contract or arrangement including material terms of and the value, if any;

- c. any advance paid or received for the contract or arrangement, if any
- d. manner of determining the pricing (indicative base price / current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract;
- e. 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
- f. any other information relevant or important for the approving authority to take a decision on the proposed transaction.

Director or KMP shall not present in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the Director / KMP shall provide all material information concerning the Related Party Transaction to the Audit Committee/ Board.

No member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party for such contract or arrangement.

4.1 Omnibus Approval

Audit Committee may grant omnibus approval for Related Party Transactions subject to the following conditions:

- a) Transactions are **frequent / regular/ repetitive** in nature and are in the normal course of business of the Company.
- b) Such omnibus approval is in the best interest of the company.
- c) Where related part transaction cannot be foreseen and firm details are not available.
- d) The transaction value does not exceed Rs. 1 cr. (One crore)
- e) 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 as the Audit Committee may deem fit.
- f) Audit Committee shall review each of the omnibus approval, at least on quarterly basis, if any.
- g) The omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval for next financial year.

4.2 Approval of the Board and Shareholders - Mechanism

Prior approval of Board and/or Shareholders (as the case may be) in case of specified Related Party Transaction(s) as per section 188(1) of the Companies Act, 2013 read with applicable Rules to the Companies Act, 2013 are required in the following cases:

- a. **Prior approval of the Board at a meeting** - Transactions which are **not in ordinary course of business or not on arm's length basis**.
- b. **Prior approval of the Shareholders** - Transactions which are not in ordinary course of business or not on arm's length basis and beyond threshold limits.

4.3 Ratification of Related Party Transactions

- a. If approval of the Audit Committee / Board / Shareholders as per the policy for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee / Board / Shareholders, if required, within 3 (three) months of entering in the Related Party Transaction.
- b. In case Related Party Transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Audit Committee/ Board or of the Shareholders (as the case may be) 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.
- c. In any case where either the Audit Committee / Board / Shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee /Board / Shareholders has authority to modify or waive any procedural requirements of this Policy in the best interest of the Company.

4.4 Disclosures

- a. Every Contract or arrangement entered with Related Parties with the approval of Board / Shareholders in line with Section 188 of the Companies Act 2013 shall be reported in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- b. The Company may disclose the policy of Related Party Transactions on its website.
- c. Name of all related parties & nature of relationships & details of all related party transactions should be disclosed in the financial statement as per Ind AS 24.
- d. Enter all contracts or arrangements with a related party with respect to transactions approved by the Board & Members of the Company in a Register prescribed.

4.5 Exemption(s)

Approval of Shareholders under point 4.2 (b) of this policy shall not be required in the following circumstances.

1. a Government company in respect of contracts or arrangements entered into by it with any other Government company;
2. a Government company, other than a listed company, in respect of contracts or arrangements other than those referred to in above clause, in case such company obtains approval of the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government before entering into such contract or arrangement.

6. LIMITATION AND AMENDMENT:

In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/ modification in Companies Act and rules thereof/ applicable laws in this regard shall automatically apply to this Policy.

Financial limits requiring approvals for Related Party Transactions

S. No.	Specified RPT(s) u/s 188(1) of the Companies Act, 2013	Threshold limits for approval of Shareholders
a)	sale, purchase or supply of any goods or materials directly or through appointment of agent(s).	Amounting to 10% or more of the turnover of the Company.
b)	selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent(s).	Amounting to 10% or more of net worth of the Company.
c)	leasing of property of any kind directly or through appointment of agent(s).	Amounting to 10% or more of turnover of the Company.
d)	availing or rendering of any services directly or through appointment of agent(s).	Amounting to 10% or more of the turnover of the company.
e)	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. 2.50 lakhs
f)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

Explanation(s):

- Limits specified in sub-clauses a) to d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.

Annexure-II

Following details are required for identifying “Related Parties” as defined under clause 76 of Section 2 of the Companies Act, 2013:

(A) Information regarding Director of NHDC/ NHPC Ltd (excluding Independent Director):

Name of Director	Address
Particulars	Name & Address of Firm/ Company/ Organization
1(a). Acting as Partner in any Firm. or	
1(b). Acting as Director or Member in any Private Company. or	
1(c). Acting as Director and holds more than 2% of Paid up Share Capital in any Public Company along with his relatives.	
2. Other Information, If any.	
(a) Details of 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.	
(b) Details of any person on whose advice, directions or instructions a Director is accustomed to act except the advice, directions or instructions given in a professional capacity, if any.	

(B) Information regarding Relatives of Director/KMP of NHDC/ NHPC Ltd (excluding Independent Director):

Sr. No.	Relationship	Name of Relative(s)	PAN No.	Address of Relative(s).	Remarks
1	Member of HUF				Information, if any, regarding relative of Directors, acting as Partner in any Firm. Or Acting as member or director in any Private Company. or Holds more than 2% of Paid up Share Capital of Public Company along with Director
2	Wife/Husband				
3	Father				
4	Step Father				
5	Mother				
6	Step Mother				
7	Son				
8	Step Son				
9	Son’s Wife				
10	Daughter				
11	Daughter’s Husband				
12	Brother				
13	Step Brother				
14	Sister				
15	Step Sister				

*Relatives as defined under Sec. 2 (77) read with rule 4 of Chapter 1 of the Companies Act, 2013.

Note:

- Sr. No. / Clause not applicable may be treated as NIL.
- Any change in information as specified above may kindly be intimated to the Company for record.

Date:

Place:

Signature: _____

Name of Directors/ KMP: _____

DIN No.: