

NIHON

**NIHON IMPEX PRIVATE
LIMITED**

**POLICY ON RELATED PARTY
TRANSACTIONS**

INTRODUCTION

The Board of Directors of Nihon Impex Private Limited (hereinafter referred to as the 'Company'), acting upon the recommendation of its Audit Committee of Directors, has approved the policy on Related Party Transactions for reviewing, approving and ratifying Related Party transactions and in providing disclosures with respect to the above transactions, as required under the Companies Act, 2013 and applicable provisions of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("RBI Directions"). The policy is also in terms with Indian Accounting Standard – 24 issued by the ICAI (Institute of Chartered Accountants of India) and any subsequent amendments thereto.

This Policy specifically deals with the review and approval of material Related Party Transactions, keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, such policy shall be reviewed by the Audit Committee and recommend the changes to the Board of Directors at least once in every 3 (Three) years or as per the discretion of the Audit Committee as per amendments made in the Companies Act, 2013.

APPLICABILITY

This Policy as approved by the Board of Directors shall be applicable to transactions entered into with:-

- a) Board of Directors & their Relatives;
- b) Key Managerial Personnel (KMP) of the Company & their Relatives;
and
- c) Related Parties, as defined hereinafter.

OBJECTIVE

This Policy is framed based on provisions of Companies Act, 2013 and RBI Directions and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties. The objective of this Policy is to set out:

- a) Materiality thresholds for Related Party Transactions; and
- b) The manner of dealing with the transactions between the Company and its Related Parties.

DEFINITIONS AND INTERPRETATIONS

“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company under provisions of RBI Directions and Companies Act, 2013, from time to time.

"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 and as definition amended from time to time.

Explanation — *“significant influence” means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.*

“Board of Directors” means the Board of Directors of the Company, as constituted from time to time.

“Control” shall include 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.

“Key Managerial Personnel” as defined under Section 2(51) of the Companies Act, 2013 includes:-

1. the Chief Executive Officer or the Managing Director or the Manager (as defined in Section 2(53) of the Companies Act, 2013);
2. the Company Secretary;
3. the Whole-time Director;
4. the Chief Financial Officer.
5. such other officer as may be prescribed under the Companies Act, 2013 and Rules thereunder.

“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.

"Ordinary course of Business" means a transaction which is:-

- i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- ii. Historical practice with a pattern of frequency; or
- iii. Common commercial practice; or
- iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 and/or Regulation/Rules/Guidelines or other Directions.

“Material Modification” will mean and include any modification to an existing related party transaction having variance of 10% of the existing limit as sanctioned by the Audit Committee/Board/Shareholders as the case may be.

“Policy” means Policy on Related Party Transactions.

“Related Party” means Related Party as defined under Section 2(76) of the Companies Act, 2013 read with Rule 3 of Companies (Specification of Definitions Details) Rules, 2014 and/ or under the applicable accounting standards, as amended from time to time which has a wider scope for identification of Related Party.

“Related Party Transaction” means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes:

- Sale, purchase or supply of any goods or materials;
- Selling or otherwise disposing of or buying property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for the purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- Underwriting the subscription of any securities or derivatives thereof, of the Company;
- Financing (including loans and equity contributions in cash or kind);
- Providing or obtaining guarantees and collaterals; and
- Deputation of employees.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner:

- Members of a Hindu Undivided Family;
- Husband or Wife; iii. Father (including Step-Father);
- Mother (including Step-Mother);
- Son (including Step-Son);
- Son’s Wife;
- Daughter;
- Daughter’s Husband;
- Brother (including Step-Brother); or

“Significant Influence” for the purposes of this Policy means the power to participate in the financial and operating policy decisions of an entity as defined under Section 2(6) of the Companies Act, 2013.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel of the Company is responsible for providing declaration to the Company Secretary on their respective Related Parties involving him / her and his / her Relative, including any additional information that the Company Secretary may reasonably request. Further, the Director / Key Managerial Personnel shall intimate the Company Secretary in case of any changes to their Related Parties, as mentioned in the previous declaration.

The Company Secretary shall maintain a database of Related Parties containing the names of individuals and companies identified based on the definition of Related Party and declaration provided by the Directors and Key Managerial Personnel.

The list of Related Parties shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments.

The functional departments shall submit to the head of Finance & Accounts and the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Audit Committee as explained subsequently) with draft agreement or other supporting documents justifying that the transactions are on arm’s length basis at prevailing market rate. Based on such information, the Company Secretary will facilitate for the necessary approval.

The Company Secretary shall at all times maintain a database of Company's Related Parties containing the names of individuals and entities, identified on the basis of the definition of Related Party and declaration provided by the Directors, along with their personal/entity details including any revisions therein based on declaration / information received from directors, shareholders, other sources etc, and the same shall be duly shared with functional team at regular intervals.

The list of Related Party shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments. Each Director and Key Managerial Personnel is responsible for providing declaration to the Company Secretary of Related Party involving him or her or his or her Relative, including any additional information that the Company Secretary may reasonably request. The functional departments shall submit to the head of Finance & Accounts and the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Audit Committee as explained subsequently) with draft agreement or other supporting documents justifying that the transactions are on arm's length basis at prevailing market rate. Based on such information, the Company Secretary will facilitate for the necessary approval from the Audit Committee.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

(A) Approval of transactions through Audit Committee

I) All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- a) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
 - i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - ii. The maximum value per transaction which can be allowed;
 - iii. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - iv. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - v. transactions which cannot be subject to the omnibus approval by the Audit Committee;

- b) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
- i. repetitiveness of the transactions (in past or in future);
 - ii. justification for the need of omnibus approval
- c) The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- d) The omnibus approval shall provide details of
- i. Type, material terms and particulars of the proposed transaction;
 - ii. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - iii. Tenure of the proposed transaction (particular tenure shall be specified);
 - iv. Value of the proposed transaction;
 - v. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - vi. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - 1) details of the source of funds in connection with the proposed transaction;
 - 2) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - Nature of indebtedness;
 - Cost of funds; and
 - Tenure;
 - 3) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - 4) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - vii. Justification as to why the RPT is in the interest of the listed entity;
 - viii. a copy of the valuation or other external party report, if any such report has been relied upon;

- ix. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- x. Any other information that may be relevant.

Provided that where the need for related party transactions cannot be foreseen and aforesaid details are not available, Audit committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees 1 crore per transaction.

- e) The Audit committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the Company pursuant to the omnibus approval given;
- f) Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year;
- g) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company;
- h) Any other conditions as the Audit committee may deem fit;
- i) The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the policy.
- j) Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 - 1. Transactions which are not at arm's length or not in the ordinary course of business;
 - 2. Transactions which are not repetitive in nature;
 - 3. Transactions exceeding materiality thresholds as laid down in this policy;
 - 4. Transactions in respect of selling or disposing of the undertaking of the Company
 - 5. Financial transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
 - 6. Any other transaction the Audit Committee may deem not fit for omnibus approval.

(B) Approval of transactions by Members in General Meeting/through Postal Ballot

- a) All the transactions with related parties exceeding the materiality thresholds, laid down in Materiality Threshold Limit as specified in the Policy, are placed before the shareholders for approval.
- b) For this purpose, 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, this condition shall not apply in respect of a resolution plan approved u/s 31 of the Insolvency and Bankruptcy Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- c) All kinds of transactions specified under Section 188 of the Act which
 - are not at Arm's Length or not in the ordinary course of business; and
 - exceed the thresholds laid down in Companies (Meetings of Board and its powers) Rules, 2014 are placed before the shareholders for its approval.
- d) However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the company and its Wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- e) The transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- f) At the time of taking the approval of members, the company is required to disclose certain items in the Explanatory statement u/s 101 of the Companies Act, 2013 and shall contain all the particulars as specified in Rule 15 of the Companies (Meeting of Board and Its powers) Rules, 2014.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain prior approval from the Audit Committee. In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy. 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. 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, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

TRANSACTIONS WITH WHOLLY-OWNED SUBSIDIARIES

All transactions with wholly-owned subsidiaries of the Company, whether they fall within the purview of Related Party Transactions or otherwise, shall always be entered into only with the prior approval of the Board and the wholly-owned subsidiary/ies.

All transactions with wholly-owned subsidiaries shall be accompanied with a note on the rationale of the transaction and shall be backed by adequate documentary support and evidence.

IMPLEMENTATION

This Policy shall be communicated to all Directors, Key Managerial Personnel and concerned persons of the Company and the same shall be effective immediately on approval by the Board of Directors.

AMENDMENTS AND UPDATES

The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Audit Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other Related Party Transactions. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. The policy shall be reviewed by the board of directors at least once every three years and updated accordingly.
