

**NIRLON LIMITED**

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www.nirlonltd.com, Email:info@nirlonltd.com  
CIN:L17120 MH1958PLC 011045



**Nirlon Limited's Related Party Transaction Policy  
(Effective from November 13, 2014)**

**(I) Preamble**

The Board of Directors ("**the Board**") of Nirlon Limited ("**the Company**" or "**NL**"), hereby adopts the Related Party Transaction Policy and procedures with regard to Related Party Transactions as defined in this Policy.

The Audit Committee of Nirlon Limited ("**the Company**" or "**NL**") consists of 4 (four) Independent Non-Executive Directors including 1(one) woman director, which is more than 50% of total strength of the Board Members.

The Board /Audit Committee will review and may amend this Policy from time to time.

This Policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations as may be applicable for the Company. It is formed in order to comply with Section 188 of the Companies Act, 2013, and the amended Clause 49 of the Listing Agreement.

**(II) Objectives**

This Policy is framed as per the requirement of the amended Clause 49 (VII) of the Listing Agreement, and Section 188 of the Companies Act, 2013, and is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties, as well as policies concerning transactions with Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

**(III) Definitions**

- (i) "**Audit Committee /AC**" means Committee of Board of Directors of the Company constituted under provisions of the Listing agreement and Companies Act, 2013.
- (ii) "**Board**" means Board of Directors of the Company
- (iii) "**Control**" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011



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(iv) **"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 and includes:-

- (i) Executive Vice Chairman, Executive Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

(v) **"Senior Management"** mean personnel of the Company who are members of its core management team excluding the Board of Directors. This would also include Vice Presidents, Head of Departments, General Managers and employees upto the rank of Senior Managers.

(vi) **"Material Related Party Transaction"** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 5(five) % of the annual turnover or 20(twenty) % of the net worth of the Company as per the last audited financial statements of the Company, whichever is higher.

(vii) **"Policy"** means Related Party Transaction Policy.

(viii) **"Related Party"** means related party as defined in Clause 49 of the Listing Agreement which is as follows:-

**A.** A 'related party' is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person's family is related to a Company, if that person:

(a) 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 or holds along with his relatives, more than 2 % (two ) per cent of its paid-up share capital ;



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(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 under 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) such other person as may be prescribed;

(b) has control or joint control or significant influence over the Company ; or

(c) is a Key Managerial Personnel of the Company or of a parent of the Company; or

2. An entity is related to a company if any of the following conditions apply:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; or



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- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person defined in 1(b) has significant influence over the entity (or of a parent of the entity)
- (ix) **"Related Party Transaction"** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.
- (x) **"Relative"** means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –
- They are members of a Hindu undivided family;
  - They are husband and wife; or
  - 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)
- (xi) **"Act"** means Companies Act, 2013 any modifications and/or re-enactment thereof.
- (xii) **"Clause"**, means Clause 49 of the Listing Agreement and any amendment thereto by Securities and Exchange Board of India (SEBI).
- (xiii) **"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.

**(IV) Scope**

1. All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

**Section 188 of the Companies Act, 2013 lays down :-**

1. Except with the consent of the Board of Directors given by a resolution at the meeting of the Board and subject to such conditions as may be prescribed, the Company shall not enter into any contract or arrangement with a related party with respect to:-

- (a) Sale, purchase or supply of any goods or materials not exceeding 25(twenty five) % of the annual turnover;



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- (b) Selling or otherwise disposing of, or buying, property of any kind not exceeding 10(ten) % of net worth;
- (c) Leasing of property of any kind not exceeding 10(ten) % of the net worth or not exceeding 10(ten) % of turnover;
- (d) Availing or rendering of any services not exceeding 10(ten) % of net worth;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property not exceeding 10% of the net worth ;
- (f) 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 not exceeding of Rs. 2.5 lakh ;
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company not exceeding 1(one) % of the net worth:

**It is provided that in case of a company whose paid up equity share capital is in excess of the Rs. 10.00 crore or transactions sums exceeding of the above limits ( a to g) , then such a company can enter into contract or arrangement with related party only with the prior approval of the Company by a special resolution.**

( b) No member of the Company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party:

(c ) This Policy shall not effect to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.

- (2) Every contract or arrangement entered into under this Policy shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (3) It is also clarified that where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under this Policy and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, 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 authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.
- (4) Any director or any other employee of the Company, who had entered into or authorised the contract or arrangement in violation of the provisions of this Policy shall be:-  
Punishable with imprisonment for a term which may extend to 1(one) year or with fine which shall not be less than Rs. 25,000/-(twenty-five thousand) but which may extend to Rs. 5 lakh (five lakh), or with both; and





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**(V) Disclosure of Interest by Directors**

- (1) Every director shall at the first meeting of the Board in which he/she participates as a director and thereafter at the first meeting of the Board in every financial year, or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.
- (2) Every director of the 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 2 % (two) 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/her 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/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- (3) A contract or arrangement entered into by the Company without disclosure under clause (V)(2) or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- (4) If a director of the Company contravenes the provisions of clause (V)(1) or (V)(2), such director shall be punishable with imprisonment for a term which may extend to 1(one) year or with fine which shall not be less than Rs. 50,000/- (fifty thousand rupees only) but which may extend to Rs. 1,00,000/- (one lakh rupees only), or with both.
- (5) Nothing in this Policy:-
  - (a) shall be taken to prejudice the operation of any rule of law restricting a director of a company from having any concern or interest in any contract or arrangement with the Company;



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(b) shall apply to any contract or arrangement entered into or to be entered into between two companies where any of the directors of the one company or two or more of them together holds or hold not more than 2(two)% of the paid-up share capital in the other company.

**(VI) Procedure to be followed by the Director***1. Disclosures*

- (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. Identification of Potential Related Party Transactions*

Each director, Key Managerial Personnel and Senior Management is responsible for providing notice to the Board or AC of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/AC may reasonably request. Board/AC 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 Board/AC has adequate time to obtain and review information about the proposed transaction.

*3. Prohibitions related to Related Party Transactions*

All Related Party Transactions shall require prior approval of AC/Board.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.



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**4. Renew and Approval of Related Party Transactions**

Related Party Transactions will be referred to the next regularly scheduled meeting of AC/Board for review and approval. Any member of the AC/Board who has a potential interest in any Related Party Transaction will abstain himself/ herself and also refrain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the AC/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 a Related Party Transaction, the AC/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 and on arms length basis 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 affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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 is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the AC/Board 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 or it is mandatory under any law for Board to approve the Related Party





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Transaction, 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.

***Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:***

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

**(VII) 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 matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the 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.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

**(VIII) Power to remove difficulties**

If any difficulties arise in giving effect to the provisions of this Policy, the Chairman of AC may in consultation with the Board by an order make such provisions as appear to it to be necessary or expedient for removing the difficulty by suitably amending/ modifying, such provisions and such amendment/ modification shall be displayed at the website of the Company.



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It is always provided that such amendment/ modifications shall in no event be inconsistent with the provision of the Act and the Clause.

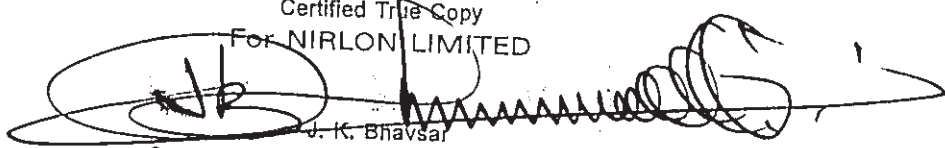
**(IX) Overriding Effects:**

This Policy will not override the Act and the Clause, any amendment and/or modification to the Act and/or the Clause shall prevail over the Policy.

Any provision contained in this Policy to the extent to which it is inconsistent or repugnant to the provisions of the Act or the Clause shall become or be void, as the case may be.



Certified True Copy  
For NIRLON LIMITED

  
J. K. Bhavsar  
Company Secretary, V. P.-Legal & Compliance Officer  
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