

NIVEDITA MERCANTILE & FINANCING LIMITED**RELATED PARTY TRANSACTIONS POLICY****Preamble**

The Board of Directors (the “Board”) of Nivedita Mercantile & Financing Limited (the “Company” or “NMFL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy as and when required, subject to the approval of the Board of Directors.

This policy will be applicable to the Company effective from 1 October 2014.

Purpose

This policy is framed as per requirements of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and the Companies Act, 2013, including any related Rules and notifications thereof. The policy is intended to ensure the proper reporting, approval and disclosure 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 its shareholders.

Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

“Board” means Board of Directors of the Company

“Key Managerial Personnel” means a key managerial personnel as defined under section 2(51) of the Companies Act, 2013 which includes:

- The Chief Executive Officer or the Managing Director, or the manager;
- The Company Secretary;
- The whole- time director
- The Chief Financial Officer and
- Such other officer as may be prescribed

“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 10 percent of the annual consolidated turnover of the Company as per the last audited financial statements of the company.

“Policy” means Related Party Transaction Policy.

“Related Party”- an entity shall be considered as related to company if

- a) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b) Such entity is a related party under applicable accounting Standards.

Explanation:

A related Party as defined under section 2(76) of Companies Act 2013, with reference to the Company means:

- (i) a director or his relative;
- (ii) 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 his relative 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 two percent 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:
 - o a holding, subsidiary or an associate company of such company;
 - or
 - o a subsidiary of a holding company to which it is also a subsidiary;
- (ix) Such other persons as may be prescribed

Prescribed persons include, Director (excluding independent directors), Key Managerial Personnel of the holding company or their relatives.

“Relative” means relative as defined under section 2(77) of the Companies Act, 2013 and includes anyone who is related to another, if:

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

“Related Party Transaction” means a transaction which involves a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract

“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.

Policy

The Company undertakes to engage with Related parties only for transactions that are in the ordinary course of business and on an arm’s length basis and ensure full compliance with all the applicable laws and regulations.

All proposed Related Party Transactions should be reported to the Audit Committee for prior approval. Where required, the Audit Committee shall further refer such transactions to the Board of Directors or Shareholders, in accordance with this Policy.

(I) Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee 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/Audit Committee may reasonably request. Board/Audit Committee with the assistance of management 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 Audit

Committee/Board has adequate time to obtain and review information about the proposed transaction.

(II) Review and Approval of Related Party Transactions

- All Related Party Transactions shall require prior approval of Audit Committee.
- An omnibus approval shall be taken for Related Party Transactions which are conducted on a day to day basis and recurring in nature by the Company during a financial year. In exceptional cases where the omnibus approval is not taken the proposed transaction will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, such as
 - The nature, duration of the contract and particulars of contract or arrangement;
 - The terms of the transaction including the value, if any;
 - indicative base price / current contracted price and the formula for variation in the price if any;
 - Maximum amount of transaction that can be entered into and the period of such approval;
 - the business purpose of the transaction;
 - The benefits to the Company and to the Related Party;
 - Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction; and

- In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant and grant an omnibus approval to the Related Party Transaction which are repetitive in nature and proposed to be entered into by the company and such approval shall be valid for maximum 1 year:
 - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company
 - 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;
 - The Audit committee shall determine whether the transaction is in the ordinary course of business with the help of the following parameters drawn from judicial precedents like reasonability of transaction in the context of business, whether it necessary, normal and incidental to the business, customary and happen with certain frequency etc.
 - 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 Committee 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 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.
- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given
- 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;

(III) Approval of transactions by the Board of Directors

- For transactions covered under Sec 188 of the Companies Act 2013 as stated below will require Board's approval if not at arm's length and not in the ordinary course of business :
 - 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 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; and
 - underwriting the subscription of any securities or derivatives thereof, of the Company

(IV) Approval of transactions by the Shareholders

- The Audit Committee shall report all “Material Related Party Transactions” to the Board of Directors.
- The Company will also seek approval for “material related party transactions” from unrelated shareholders’ in a general meeting of the Company prior to entering into such transaction.
- All the transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business or at Arms’ Length Basis shall also require the approval of the shareholders through special resolution if the specified thresholds are met and the Related Parties interested the contract/arrangement shall abstain from voting on such resolution.

The specified thresholds are as listed below:

Sr. No.	Prescribed Transaction Category	Thresholds
1	Sale, purchase or supply of any goods or materials (directly or through appointment of agents)	Exceeding 10% of the turnover of the company or INR 100 crores, whichever is lower*
2	Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)	Exceeding 10% of net worth of the company or INR 100 crores, whichever is lower*
3	Leasing of property of any kind	Exceeding 10% of the net worth or 10% of turnover of the company or INR 100 crores, whichever is lower*
4	Availing or rendering of any services	Exceeding 10% of the

	directly or through appointment of agents	turnover of the company or INR 50 crore, whichever is lower*
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding INR 2.5 lakhs as mentioned
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth

*Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year

(V) Related Party Transactions not approved under this Policy

Where the Company enters into a Related Party Transaction, without the pre-approval of the Audit Committee as required by this Policy, the matter shall be reviewed by the Committee. The Committee after considering all relevant facts and circumstances regarding such Related Party Transaction shall evaluate whether such transaction should be, ratified, revised or terminated. The Committee shall also examine the facts and circumstances which led to the failure to report such Related Party Transaction to the Committee as required by this Policy, and shall take such action as deemed appropriate.

If the Committee decides not to ratify a Related Party Transaction which has been entered into without necessary approvals, it, 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, after seeking approval of the Board and subject to the provisions of the Companies Act,

2013, including any related Rules or notifications and Clause 49 of the Listing Agreement.

(VI) Disclosure Requirement

- Disclosure will be made in the Company's Annual Report of the particulars of the contract and arrangement along with the justification for entering into such contracts/arrangements with the Related-parties as part of Directors' Report.
- The Company will also disclose the details of all material related party transactions on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under clause 49 of the Listing agreement.