



**POLICY ON MATERIALITY OF
RELATED PARTY TRANSACTIONS AND ON DEALING WITH
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I. PREAMBLE

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) had introduced specific provisions relating to related party transactions and defined the term related parties, relatives, key management personnel etc. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR 2015) has got specific provision about the Related Party Transactions.

Pursuant to Regulation 23 (1) of the SEBI LODR 2015, the Company shall formulate a policy on materiality of related party transactions and on dealing with related party transactions

Accordingly, the Board of Directors (Board) of Nitta Gelatin India Limited (Company or NGIL) has adopted a Policy on materiality of related party transactions and on dealing with related party transactions.

II. OBJECTIVE

In its endeavour to ensure due and proper compliance with the applicable provisions and to ensure that proper procedure is defined and followed for approval / ratification and reporting of transactions as applicable, between the Company and any of its Related Parties, this policy has been adopted by the Company's Board of Directors. The provisions of this policy are designed to govern the transparency of approval process and disclosure requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Policy and procedures have been designed to achieve due and timely compliance with the statutory requirements governing related party transactions by ensuring that:

- i. Related Parties are identified;
- ii. Related Party Transactions are evaluated;
- iii. Necessary approvals are obtained;
- iv. Related Party Transactions are recorded; and
- v. Proper disclosures of the Policy and the Related Party Transactions are made including disclosure of all transactions in the Annual Financial Statements and applicable disclosure to the Stock Exchange in prescribed format and within prescribed timelines.

III. SCOPE

This Policy is applicable to all related party transactions.

IV. DEFINITIONS & EXPLANATIONS (Please refer to Annexure - A)

V. POLICY

A. Audit Committee approval

All Related Party Transactions and any subsequent material modifications, shall require the prior approval of the Audit Committee (only those members of the Committee who are Independent Directors to approve the Related Party Transactions and subsequent material modifications) or the Board of Directors or the Shareholders of the Company, as the case may be, as required under and subject to the Act and the SEBI (LODR)2015.

Related Party Transactions to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction individually or taken together during a Financial Year exceeds 10% of the annual consolidated turnover as per the last audited financial statements of the Company.

With effect from April 1, 2023- a Related Party Transaction to which the subsidiary of Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction individually or taken together during a FY exceeds 10% of the annual standalone turnover as per the last audited financial statements of the subsidiary.

Prior approval of Audit Committee of the Company shall not be required for an RPT to which listed subsidiary is a party, but the Company is not a party.

B. Board of Directors approval

All Related Party Transactions that are:

- not in the ordinary course of business, or
- in the ordinary course of business but not at arms' length or
- neither in the ordinary course of business nor at arms' length

shall require the prior approval of the Board of Directors at a Meeting of the Board.

C. Shareholders' approval**(i) Regulation 23(4) of the SEBI LODR 2015**

All Material Related Party Transactions and subsequent material modifications as defined by the Audit Committee shall require prior Shareholders' approval, through a Resolution. All Related Parties (irrespective of whether the entity is a party to the particular transaction or not) shall abstain from voting on such resolution.

ii) Under the Act

In case the value of transactions to be entered into with the related party exceed the limits specified under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 (Refer Annexure – XII (b) such transactions shall be entered into only with the prior approval of the Company by a resolution.

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

D. Domestic Related Party Contracts/ Arrangements:

All domestic related party contracts/ arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirements under Section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

E. International Related Party Contracts/ Arrangements:

All international related party contract/ arrangement shall comply with International Transfer Pricing Requirement under Section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

F. Identification or Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing advance 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. The Board / Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

G. Disclosure to the Stock Exchange

RPT disclosure to be made to the Stock Exchange in the prescribed format within the prescribed timelines.

H. Process for approval

1. All Related Party Transactions shall be referred to the next regularly scheduled meeting of the Audit Committee for review and approval.
2. The Audit Committee will determine, in line with this Policy, whether the transaction submitted to it does, in fact, constitute a Related Party Transaction, requiring compliance under this Policy.
3. Review and Approval of Related Party Transactions
 - i. Any Director, who is interested in any Related Party Transaction, shall recuse himself or herself from discussion and voting on the approval of the Related Party Transaction.
 - ii. To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction which are as follows:
 - a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction (particular tenure shall be specified);
 - d. Value of the proposed transaction;
 - e. The percentage of the Company'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);
 - f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i) Details of the source of funds in connection with the proposed transaction
 - ii) 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

- iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

- g. Justification as to why the RPT is in the interest of the Company
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

iii. In determining whether to approve a Related Party Transaction, the Audit Committee may consider giving omnibus approval for Related Party Transactions proposed to be entered subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c) Such omnibus approval shall specify (i) the name/s of the related party, nature of the 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;
- d) 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 Rs.1 crore per transaction.

- e) The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered into pursuant to each of the omnibus approval given.
 - f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- iv. In determining whether to approve a Related Party Transaction the Committee will consider, inter alia, the following factors to approve a Related Party Transaction:
- a. Whether the terms and conditions of the Related Party Transaction are fair and on an Arms' Length basis to the Company and are in the ordinary course of business of the Company;
 - b. Whether there are compelling business reasons for the Company to enter into the Related Party Transaction as against the normal transactions;
 - c. Whether the Related Party Transaction would affect the independence of an independent director;
 - d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of, or in connection with, the proposed transaction;
 - e. Whether the Related Party Transaction would amount to a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, nature of direct or indirect interest of Directors, Key Managerial Personnel or other Related Party in the transaction and the ongoing nature of any proposed relationship and such other aspects as may be deemed relevant to the Committee;
 - f. If the Committee determines that a Related Party Transaction should be brought before the Board or if the Board itself elects to review any such matter or it is mandatory under any law for the Board to approve such Related Party Transaction, then the criteria set out above shall also apply to the Board's review and approval of the matter with such modifications as may be necessary or appropriate under the circumstances.

- v. If the Board determines that a Related Party Transaction should be brought before the Shareholders or it is mandatory under any law for the Shareholders to approve such Related Party Transaction, then the Chairman of the Board will ensure obtaining requisite approval of the Shareholders. Shareholder(s) who are Related Parties will abstain from voting on such resolution.
- vi. Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee or Shareholders:
 - a. 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.
 - b. Any transaction 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.
 - c. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval
 - d. 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.

VI. REVIEW BY THE AUDIT COMMITTEE

This Policy will be reviewed as and when required, but atleast once in three years.

VII. VIOLATION OF THE POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be reviewed by the Audit Committee / Board as follows:

The Audit Committee or Board or Shareholders, as the case may be, will consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification of the contract or arrangement, whether ratification should be allowed and if ratified whether it would be beneficial or detrimental to the Company, revision or termination of the Related Party Transaction including the facts and circumstances of failure to obtain approval / report such Related Party Transaction to the Audit Committee or the Board or Shareholders under this Policy and take such action as deemed appropriate. In case, such contract or arrangement is not so ratified, such contract or arrangement shall be voidable at the option of the Board.

VIII. AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc, shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

IX. DISCLOSURE OF RELATED PARTY TRANSACTION

1. All contracts or arrangements which require Board approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement
2. The Explanatory Statement annexed to the Notice convening General Meeting for seeking the Shareholders' approval for the Related Party Transaction shall contain the following details:

- a. A summary of the information provided by the management of the Company to the audit committee for approval of RPTs.
 - b. Justification for why the proposed transaction is in the interests of the Company
 - c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details provided to Audit Committee in this regard.
 - d. A statement that the valuation or other external report, if any relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - e. Percentage of the counter- party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis
 - f. Any other information that may be relevant.
3. Details of all material transactions with Related Parties shall be disclosed to the Stock Exchanges on quarterly basis along with the Corporate Governance Compliance Report.
4. The Policy on materiality of related party transactions and on dealing with related party shall be uploaded on the Company's website and a web link thereto shall be provided in the Annual Report.
5. This Policy will be communicated to all operational employees and other concerned persons of the Company.

ANNEXURE - A

DEFINITIONS AND EXPLANATIONS

i. Associate Company- Section 2(6)

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: For the purposes of this clause,

“significant influence” means control of at least 20% of the total voting power, or control of or participation in business decisions under an agreement.

“joint venture company” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

ii. Holding Company — Section 2 (46)

In relation to one or more other companies, means a company of which such companies are subsidiary companies.

iii. Key Managerial Personnel - Section 2 (51)

In relation to a company means:

- the Chief Executive Officer (CEO) or the Managing Director (MD) or the Manager;
- the Company Secretary (CS);
- the Whole- time Director (WTD);
- the Chief Financial Officer (CFO); and
- 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
 - Such other person as may be prescribed

iv. Manager - Section 2(53)

An individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director and any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

v. Net Worth - Section 2(57)

The aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

vi. Ordinary Course of Business

Ordinary course of business shall include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income / revenue / turnover of the Company as opposed to “income from other sources”.

vii. Policy

Policy means this Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions.

viii. Related Party**a. As per Regulation 2(1)(zb) of the SEBI LODR 105**

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.
- (iii) any person or entity forming a part of the promoter or promoter group of the Company.
- (iv) Any person or entity holding equity shares of 20% or more or 10% or more (with effect from April 1, 2023) in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time during the immediate preceding Financial Year.

b. As per IND AS 24

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

c. Under Section 2(76) of the Companies Act 2013

With reference to a company, Related Party means:

- A director or his relative
- A Key Managerial Personnel or his / her relative
- A firm, in which a director, manager or his relative is a partner
- A private company in which a director or manager or his relative is a member or director
- 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.
- A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except such advice as given in a professional capacity
- Any person on whose advice, directions or instructions a director or manager is accustomed to act, except such advice is given in a professional capacity
- 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
 - (c) an investing company or the venturer of the Company
- A Director (other than an Independent Director), or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a Related Party

ix. Relatives-Sec 2 (77)

With reference to any person Related Party means any one person, who is related to another, if:

- they are members of a Hindu Undivided Family;
- they are husband and wife, or
- One person is related to the other if he or she is related to another as under:
Father*, Mother*, Son*, Son's wife, Daughter, Daughter's Husband, Brother* and Sister* (*including step)

x. Subsidiary Company or Subsidiary — Section 2 (87)

In relation to any other company, (that is the Holding company), means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the Total Voting Power
 - either at its own; or
 - together with one or more of its subsidiary companies:
Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed

Explanation:

- a. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (U) is of another subsidiary company of the holding company;
- b. the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- c. the expression "company" includes any body corporate;
- d. "layer" in relation to a holding company means its subsidiary or subsidiaries;

xi. Related Party Transaction**a. Under Regulation 2 (1)(zc)**

A related party transaction means a transfer of resources, services or obligations between

- i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- ii. the Company or any of its subsidiaries on one hand and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries with effect from April 1, 2023; Regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Exclusions from the purview of RPT:

- a. the issue of specified securities on a preferential basis, subject to compliance with SEBI (ICDR) 2018.
- b. the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - (i) payment of dividend
 - (ii) subdivision or consolidation of securities
 - (iii) issuance of securities by way of a rights issue or a bonus issue
 - (iv) buy back of securities
- c. acceptance of FD by banks/ NBFC at the terms uniformly applicable/ offered to all shareholders/ public, subject to disclosure of the same along with the disclosure of RPT on half yearly basis to Stock exchanges in the prescribed format.

b. Under Section 188 of the Act

Any contract or arrangement with a Related Party with respect to the following shall be considered as a Related Party Transaction:

- 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;

- appointment of a related party 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

Explanations:**i. Arms' Length transaction - Section 188 (1)**

The expression "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.

ii. Office or Place of Profit - Section 188 (1)

Office or place of profit means any office or place of profit:

(i) is held by a director, if the director holding it receives from the company anything by way of remuneration, over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise

xii. Material Related Party Transactions**a. Material Related Party Transaction:**

A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. One thousand Crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company whichever is lower or such sum as may be prescribed under the SEBI (LODR) 2015 and as amended from time to time. A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per its last audited financial statements.

b. Material Modification:

A Related Party Transaction is deemed to have subsequently undergone if there is ‘ any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, exceeding 10 percent (both upward and downward), in each case, over and above the approved limits.”

a. Under the Companies Act 2013

	Transaction or contract or arrangements for	Limits for the time being in force * [as per Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014]
i	Sale, purchase or supply of any goods or materials directly or through appointment of agents	Not exceeding 10% of the annual turnover of the Company.
ii	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents	Not exceeding 10% of networth of the Company.
iii	Leasing of property of any kind	Not exceeding 10% of the turnover of the Company.
iv	Availing or rendering of any services directly or through appointment of agents.	Not exceeding 10% of the turnover of the Company.
v	Appointment to any office or place of profit in the Company, its subsidiary company or associate company	Not exceeding a monthly remuneration of Rs. 2.50 lakhs
vi.	Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company.	Not exceeding one percent of the networth.

* shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 by the Central Government.

Annual Turnover and Net Worth referred above are computed as per audited Financial Statement for the preceding financial year.