

Nitesh Estates Limited

CIN:L07010KA2004PLC033412

Registered Office: Nitesh Timesquare, 7th Floor, No.8, M.G. Road Bangalore-560001

RELATED PARTY TRANSACTION POLICY

1. PREAMBLE

The Board of Directors (the "Board") of the Company has adopted this policy and procedures with regard to Related Party Transactions ("RPTs"). The Board reserves the right to review and amend this policy from time to time based on the recommendation(s) received from the Audit Committee and/or amendments or modifications in the applicable laws.

This policy is intended to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

2. APPLICABILITY AND EFFECTIVE DATE

This Policy will be applicable to the Company with effect from 1st October, 2014 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

3. PURPOSE

This policy is framed as per the requirements of Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges and as per the provisions of Companies Act, 2013. It is intended to ensure that the proper approvals are obtained and proper reporting is made of transactions between the Company and its Related Parties. The Company is required to disclose the RPTs in the Financial Statements every year. The policy of the Company concerning transactions with the Related Parties are also required to be disclosed in the Annual Report.

4. DEFINITIONS

"Act" shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications or re-enactment thereof.

"Arm's Length basis" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm's Length basis, guidance may be taken from the provisions of Transfer Pricing under Income Tax Act, 1961 including any modifications, amendments, clarifications or re-enactment thereof.

"Associate Company" means any other company, in which the 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 twenty per cent of total share capital, or of business decisions under an agreement.

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and section 177 of the Companies Act, 2013.

"Board" or "Director" shall mean Board of Directors of the Company

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"**Company**" means Nitesh Estates Limited

"**Control**" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

"**Key Managerial Personnel (KMP)**" means Key Managerial Personnel as defined under section 2 (51) read with Section 203 of the Companies Act, 2013.

"**Material Related Party Transaction**" means a transaction with a related party where the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, is in excess of **the lower of the under-mentioned limits**:

(I) ten percent of the annual consolidated turnover of the company as per the last audited financial statements

or

(II) the threshold limits mentioned in (a) to (f) below as per the Companies Act, 2013 read with Rules framed thereunder and notified from time to time, which presently is:

- (a) When a transaction involves **sale, purchase or supply of any goods and material** exceeding 10% of Annual Turnover as per last years Audited Financial Statement or exceeds Rs.100 Crs whichever is lower.
- (b) When a transaction involves **selling or buying of any property** exceeding 10% of Net Worth of the Company as per last years Audited Financial Statement or Rs.100 Crs whichever is lower.
- (c) When a transaction involves **leasing of property of any kind** exceeding 10% of Net Worth or 10% of turnover or Rs.100 Crs whichever is lower.
- (d) When a transaction involves **availing or rendering any services** exceeding 10% of the turnover of the Company or Rs.50 Crs whichever is lower.
- (e) When a transaction involves appointment to any office or place of profit in the Company, its subsidiaries or associates at a monthly remuneration exceeding Rs.2,50,000/-
- (f) When a transaction involves remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding one percent of the Net Worth.

"**Policy**" means the Related Party Transaction Policy of the Company.

"**Related Party**" means a related party as defined in Clause 49 of the Listing Agreement and includes any person,

- (I) defined as related party under Section 2(76) of the Companies Act, 2013 and any amendment made thereto; or
- (II) Such entity is a related party under the applicable accounting standards

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“**Related Party Transaction**” means any single or group of transactions, directly or indirectly involving any Related Party for transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

“**Relative**” means relative as defined under Section 2 (77) of the Companies Act, 2013 and Rules made there under.

5. **POLICY**

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

5.1 **Identification of Potential Related Party Transactions :**

Board members and Key Managerial Personnels are responsible for intimating the Board and the Audit Committee of the names of the Companies/Bodies Corporate/firms/LLPs in which they have concern or interest as a Director or Member at the beginning of every financial year and the changes therein on the event occurring during the course of the financial year. The Board/Audit Committee may reasonably request for additional information, if required to determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.

The Company strongly prefers to receive such notice of any potential RPTs well in advance from the Board members and Key Managerial Personnels so that the Audit Committee has adequate time to review the information about the proposed transaction.

5.2 **Restrictions for Related Party Transactions :**

All RPTs shall require prior approval of Audit Committee/Board. However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:

- (a) The Committee shall lay down the criteria for granting the omnibus approval in line with the Policy.
- (b) Such transactions should be repetitive in nature.
- (c) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- (d) Such omnibus approval shall specify (i) the name/s of the Related Party, nature of RPT, period of RPT, 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 on case to case basis;

Provided that 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.50 Lakhs per transaction but shall not include transactions which require prior approval under the Act.

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- (e) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company 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.

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

Provided, the RPTs entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval will not require to comply with the foregoing approvals.

5.3 Review and Approval of Related Party Transactions

All RPTs or changes therein must be reported by the Chief Financial Officer, Head of Accounts Department to the Internal and Statutory Auditors of the Company and to the Company Secretary / Compliance Officer as referred for prior approval by the Audit Committee in accordance with this Policy.

The following shall be the process for approving the Related Party Transactions:

- (a) For seeking the approval of the Committee/Board, at the beginning of each financial year before 30th April of the respective financial year, the Heads of concerned Departments shall identify the transactions likely to occur during the financial year with the Related Parties and the value of such transactions which are likely to take place during the financial year. On the basis of the information gathered, the following details is required to be sent by the concerned units/ departments to the Audit Committee/Board at least 15 days in advance of the first Audit Committee/Board meeting to be held in a financial year in order to enable it to be circulated in advance:
 - (i) Name of the Related Party and nature of relationship;
 - (ii) Name of the Director or Key Managerial Personnel who is related, if any
 - (iii) Nature and Duration of RPT;
 - (iv) Particulars of Contract or Arrangement;
 - (v) Material terms of Contract or Arrangement
 - (vi) Monetary value of Contract or Arrangement (total value of contracts for the year to be given);
 - (vii) Advance paid for Contract or Arrangement;
 - (viii) Manner of determining pricing and other commercial terms both included as part of contract and not considered as part of contract;
 - (ix) Whether all factors relevant to the contract have been considered, if not the details of factors not considered and the reasons thereof;

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- (x) Reasons for choosing a related party over a third party
 - (xi) Justification for entering into such Contract or Arrangement
 - (xii) Any other relevant information to enable the Audit Committee/Board to take a decision on the matter.
- (b) In case of contracts which arise during the course of the financial year, information as in (a) above to be shared with the Compliance Officer/ Company Secretary at least 15 days in advance of the Audit Committee/Board Meeting.
- (c) Any member of the Committee/Board 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.
- (d) The Committee will be provided with all relevant material information of the Related Party Transaction, including the benefits to the Company and any other relevant matters.
- (e) In determining whether to approve a Related Party Transaction, the Audit Committee/Board, will consider the following factors, amongst others, to the extent relevant:
- (i) 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;
 - (ii) 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;
 - (iii) Whether the Related Party Transaction would affect the independence of an independent director;
 - (iv) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - (v) Whether the Company was notified about the Related Party Transaction before the execution of the transaction and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
 - (vi) Whether the Related Party Transaction would give rise to a conflict of interest for any Director or Key Managerial Personnel of the Company, considering the size of the transaction, the overall financial position of the Related Party, and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
- (f) If the Audit Committee/Board, is of the view that the Related Party Transaction is material or is not at arms-length basis (though it does not exceed the limits specified above) and hence requires the approval of the Shareholders, then such transaction shall be placed before the Shareholders at a General Meeting to be convened for such purposes or by way of Postal Ballot and approval shall be sought. The transaction shall not be put into action before the shareholders approval.

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- (g) Save as otherwise provided, the prior approval of the Committee/Board or approval of the shareholders shall not be required in case of the under-mentioned transactions:
- (i) transaction that involves 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, sitting fees and profit related commission paid in terms of the Act.
 - (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.
 - (iii) Any transaction of purchase by any Director or KMP or their relatives of any goods dealt in by the Company or availing of services provided by the Company on terms applicable to all the employees of the Company.
- (h) In addition, the Audit Committee/ the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- (i) The Audit Committee will undertake an evaluation of all the RPTs. If the evaluation indicates that the RPTs would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the RPTs, together with a summary of material facts, to the Board for its approval.
- (j) If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Companies Act, 2013 and any other applicable law, the same shall be put up for approval by the shareholders of the Company.
- (k) If prior approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering into the Related Party Transaction.

5.4 The Audit Committee / Board shall have the following powers with respect to RPTs:

- To seek information from any employee or authorised persons.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary
- To investigate any Related Party Transaction.
- To ensure that adequate deliberations are held before approving related party transactions and assure that the same are in the interest of the Company.

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6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company enters into a Related Party Transaction without the prior approval of the Audit Committee/Board, and such matter is discovered later, then the same shall be put up before the Audit Committee/Board at the next following meeting. The reasons for not getting the same approved by the Audit Committee/Board shall be made explicit. The Audit Committee/Board may at its sole discretion permit such deviation and may approve the same.

In the event the transaction is not approved and the transaction has not yet been concluded, the transaction shall be cancelled forthwith and all advances, if any, made shall be recovered from the concerned party failing which necessary disciplinary action will be taken against the concerned Head of Commercial/Accounts/Unit.

7. DISCLOSURES

- (a) The Company is required to disclose Related Party Transactions in the Board's Report to shareholders of the Company at the Annual General Meeting.
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- (c) The Company is also required to disclose this Policy on its website and the link thereto shall be provided in the Annual Report of the Company.
- (d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with Related Parties.

8. GENERAL

This Policy and any amendments or replacements thereof will be posted on the Company's web site and will also be communicated to all operational employees and other concerned persons of the Company. Nothing in this Policy shall override any provisions of law made in respect of any matter stated herein.
