

**NIRMA LIMITED**

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND  
DEALING WITH RELATED PARTY TRANSACTIONS**

Approved by:

- (i) Board Meeting dated – 13<sup>th</sup> February, 2025



## **PREAMBLE AND OBJECTIVE**

As per SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 (“Listing Regulations”), High Value Debt Listed Company is required to comply with the regulation 23 of Listing Regulations as may be amended, from time to time.

Regulation 23 of the Listing Regulations requires the company to inter alia formulate a policy on materiality of related party transactions and on dealing with related party transactions.

The Board of Directors of the Company has adopted Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (“**Policy**”) as required under Regulation 23 of the Listing Regulations based on the recommendation of the Audit Committee, which shall become effective from 1<sup>st</sup> April, 2025.

## **DEFINITIONS**

**"Act"** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars, notifications, orders to remove difficulties or re-enactments thereof.

**“Audit Committee”** means the committee of the Board of Directors of the Company constituted from time to time under section 177 of the Act and the provisions of regulation 18 of the Listing Regulations as applicable.

**“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.

**“Board”** means the Board of Directors of the Company.

**“Key Managerial Personnel or KMP ”** means key managerial personnel in relation to a Company as defined under section 2(51) of the Act and rules prescribed there under.

**“Material Related Party Transaction”** means a transaction with a Related Party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower



or such other threshold limit as may be prescribed under the Act or rules made thereunder including any amendments thereof.”

Notwithstanding the above, 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 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Material Modification”** in relation to the Related Party Transaction means value of the modification individually or taken together with modification during the financial year, which exceeds 25% of the original transaction as approved by the Audit Committee including thru omnibus approval and / or shareholders or Rs. 3 crore, whichever is more.

**“Ordinary Course of Business”** means the usual transactions, customs and practices undertaken by the Company to or in the course of or incidental to or in furtherance of or to facilitate the business operations or objectives of the Company and its subsidiaries and includes a transaction which is:

- Carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
- Carried out historically with a pattern of frequency;
- Common commercial or established trade practice;
- Carried out for the business purpose irrespective of its frequency;
- The income, if any earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity;
- Meets any other parameters / criteria as decided by the Board / Audit Committee from time to time

**“Related Party”** means related party as defined under the Act and Listing Regulation, as may be amended from time to time.

**“Related Party Transaction”** shall mean such transactions as specified under the Act read with rules made thereunder and Regulation 2(1)(zc) of Listing Regulations, including any amendments or modifications thereof, as may be applicable.



**“Relative”** means relative as defined under the SEBI LODR Regulation or the Act as amended from time to time.

All other terms and references used but not defined herein shall have the same meaning as is assigned to them under the Act, the Listing Regulations and rules, regulations, notifications and circulars issued thereunder as amended from time to time.

## **IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

Every Director and KMP will be responsible for providing information under the Act or Listing Regulations to the Company for identification of potential Related Party Transaction and also additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

Every Director and KMP will also be responsible to update the Company in case of any changes in the said information immediately on his / her becoming aware of such changes.

## **APPROVAL OF RELATED PARTY TRANSACTIONS**

### **Approval of Audit Committee**

Prior approval of Audit Committee of the Company required for the followings:

1. Prior Omnibus approval for all Related Party Transaction repetitive in nature and its subsequent Material Modifications thereto;  
Prior approval for all other Related Party Transactions and its subsequent Material Modification thereto.  
Only those members of Audit Committee who are independent directors shall approve Related Party Transactions.
2. Related Party Transaction to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.



Prior approval of the audit committee of the Company shall not be required for:

1. Related Party Transactions to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and 15(2) of Listing Regulations are applicable to such listed subsidiary.
2. Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of Listing Regulations.

The members of the Audit Committee, who are independent directors, may ratify Related Party Transaction(s) for which no prior approval was taken, within 3 months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a Related Party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore;
- (ii) the transaction is not **Material Related Party Transaction**;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of Related Party Transaction(s) in terms of Listing Regulations;
- (v) any other condition as specified by the Audit Committee:

In case failure to seek ratification of the Audit Committee of the Company shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a Related Party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

However, for Related Party Transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.



### **Omnibus approval by Audit Committee**

The Audit committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and proposed to be entered by the Company or its subsidiary. The Audit Committee shall lay down the criteria for granting the omnibus approval and satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.

The omnibus approval shall specify:

- i. the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transactions that shall 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:

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 rupees 1 crore per transaction. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transaction(s) entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

### **KEY FUNCTION OF THE BOARD**

1. Approval of Board will be required, for any transaction u/s 188 of the Act with Related Parties which are either not in Ordinary Course of Business or not on an arm's length basis.
2. The Board shall review the policy at least once every three years and update accordingly.



## **APPROVAL OF SHAREHOLDERS**

All Material Related Party Transactions and subsequent Material Modifications shall be approved Shareholders of the Company. Voting by related party to approve such resolution shall be governed under the provisions of the Act and SEBI LODR as may be applicable to the Company, including any amendments thereof.

Prior approval of the shareholders of the Company shall not be required for a related party transactions to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and 15(2) of the Listing Regulations are applicable to such listed subsidiary. For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

## **NO APPROVAL**

Prior approval of Audit Committee and shareholders of the Company are not required for the following transactions:

- i. 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.
- ii. 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.
- iii. transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- iv. Any transaction that involves payment 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.
- v. 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.
- vi. such other transactions, as exempted under applicable law.



## **DISCLOSURES**

The Company shall submit to the stock exchange where securities are listed, the disclosures of Related Party Transactions in the format as specified by the SEBI from time to time along with its standalone financial results for the half year, and also publish the same on its website.

Provided that the remuneration and sitting fees paid by the Company or its subsidiary to its director, Key Managerial Personnel or senior management, shall not require to be disclosed except directors or key managerial personnel or senior management who are part of promoter or promoter group or the same is material in terms of Listing Regulations.

The Company shall make related party disclosures in its Annual Report, as specified in applicable Listing Regulation and the Act.

## **AMENDEMENT**

Any amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to align with this Policy, for which no approval of Board would be required. However, the Board may also make any amendments to the Policy from time to time, based on the recommendations of the Audit Committee.

