



NATIONAL FERTILIZERS LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

I. INTRODUCTION:

The Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have laid down extensive requirements to be fulfilled in case of Related Party Transactions. Additionally, SEBI Regulations specifies that the Company is required to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Therefore, the Company has adopted this Related Party Transaction Policy dealing with the identification, review and approval of Related Party Transactions.

II. APPLICABILITY:

This Policy shall be applicable to all Related Party Transactions between the Company and its Related Parties.

III. SCOPE AND PURPOSE:

The Policy has been framed to comply with the applicable provisions of Companies Act, 2013 and SEBI Regulations. Any subsequent amendment/modification in the applicable provisions of Companies Act, 2013 or the rules made thereunder or in the SEBI Regulations in this regard shall be deemed to be automatically incorporated in this Policy.

IV. DEFINITIONS:

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

“**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.

“**Associate Company**”, 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 twenty percent of total share capital, or of business decisions under an agreement.

“**Board Level Audit Committee**” or “Committee” means “Audit Committee” of the Board of Directors of the Company.

“**Board of Directors**” or “Board” means the collective body of the Directors of the Company.

“**Company**” means National Fertilizers Limited.

“**Key Managerial Personnel**” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.

“**Net worth**” means 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.

“**Office or place of profit**” means any office or place held by a director, and if he receives by way of remunerations 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 held by an individual other than a director or by any firm, private company or other body corporate, and they receive by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“**Policy**” means Related Party Transactions Policy of the Company.

“**Related Party**” means a person or an entity:

- A.** which is a related party under Section 2 (76) of the Companies Act, 2013; or
- B.** which is a related party under Indian Accounting Standard (Ind AS) 24 – Related Party Disclosures.

As per Section 2 (76) of the Companies Act 2013 and rules made thereunder, Related Party, with reference to a company, means-

- (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 or his relative is a member or

- director;
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital;
 - (vi) Anybody 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-
 - (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 i.e. 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.

A public Company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid up share capital shall be related party.

As per Indian Accounting Standard (Ind AS) 24 related parties are as follows:

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 of 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).

Clause 9 of the Indian Accounting Standard (Ind AS) 24, defines certain terms which are also pertinent for ascertaining related party relationships and the same are as follows:-

Related party transaction	A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
Control	Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
Joint Control	Joint Control is the contractually agreed sharing of control over an economic activity.
Significant Influence	Significant Influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant Influence may be gained by share ownership, statute or agreement.
Key Management Personnel	Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
Government	Government refers to government, government agencies and similar bodies whether local, national or international.

Government-related entity	A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.
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“Related Party Transactions”: Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements with a Related Party with respect to:

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company:

As per SEBI Regulations “Related Party Transaction” means a transfer of resources, services or obligations between a listed entity and a related party, 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:

“Relatives”, with reference to any person, means anyone who is related to another, if-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other person as:
 - (a) Father (including step- father)
 - (b) Mother (including step- mother)
 - (c) Son (including step- son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step- brother)
 - (h) Sister(including step- sister)

“Transaction”: A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

“Turnover” means the aggregate value of the realization of amount made from the

sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year.

V. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Board Level Audit Committee

All related party transactions shall require approval of the Audit Committee and while considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company, or any other relevant matters. The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely:-

1. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval in line with the policy on related party transactions of the listed entity which shall include the following, namely:-
 - (a) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) The maximum value per transaction which can be allowed;
 - (c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - (e) Transactions which cannot be subject to the omnibus approval by the Audit Committee.
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 - (a) Repetitiveness of the transactions (in past or in future);
 - (b) Justification for the need of omnibus approval.
3. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

4. The omnibus approval shall contain or indicate the following: -

- (a) name of the related parties;
- (b) nature and duration of the transaction;
- (c) maximum amount of transaction that can be entered into;
- (d) the indicative base price or current contracted price and the formula for variation in the price, if any;
- (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- 5. The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- 6. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- 7. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Board of Directors

All cases where the Related Party Transactions are not in the ordinary course of business and/or are not on arm's length basis but within the prescribed limits as per the Companies (Meetings of Board & its Powers) Rules, 2014, as amended from time to time, shall be brought before the Board of Directors for approval through Board Level Audit Committee.

All (a) Related Party Transactions that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014, as amended from time to time and being not in the ordinary course of business of the company and/ or not on an arm's length basis, (b) Material Related Party Transactions, requiring the approval of the shareholders, shall also need to be approved by the Board.

Such approval of Board may be obtained at a duly convened meeting.

Shareholders

All (a) Related Party Transactions that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis, (b) Material Related Party Transactions, shall require approval of NFL shareholders through resolution (after due approval by the Board).

General

- (a) As per SEBI Regulations, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- (b) Point No. V with regard to Transaction Board Level Audit Committee shall not be applicable for the following transactions:-
 - (i) Transactions entered into between two government companies;
 - (ii) Transactions 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.

Explanation: For the purpose of (i) above, "Government Company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

In case, there is a material or substantial change in terms and conditions of existing related party transaction, then it would be governed by this policy.

VI. DISCLOSURES

All required disclosures with respect to Related Party Transactions shall be made in accordance with the requirement of Companies Act and SEBI Regulations.

VII. LIMITATION

In the event of any conflict between the provisions of this Policy and of the SEBI Regulations/ Companies Act, 2013 or any other statutory enactments, rules, then, the provisions of the Regulations / Companies Act, 2013 or other statutory enactments, rules, as the case may be shall prevail over this Policy and shall be adhered to accordingly by all concerned.

VIII. POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds the threshold limits prescribed SEBI Regulations and/or under Section 188 of the Companies Act, 2013 as may be applicable to a particular related party transaction.

“Material Related Party Transactions”:

A transaction with a related party shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the threshold limits prescribed under SEBI Regulations and /or under Section 188 of the Companies Act, 2013 as may be applicable to a particular related party transaction.

Materiality Threshold for Related Party Transaction:

S No.	Nature of Transaction	Materiality as per Companies Act, 2013	Materiality as per SEBI Regulations
i.	Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% of Turnover or Rs.100 crores whichever is lower	Exceeding 10% of the annual consolidated turnover
ii.	Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% of Net worth or Rs.100 crores whichever is lower	Exceeding 10% of the annual consolidated turnover
iii.	Leasing of any kind of property	Exceeding 10% of Net worth or 10% of Turnover or Rs.100 Crores whichever is lower	Exceeding 10% of the annual consolidated turnover
iv.	Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of Turnover or Rs.50 Crores whichever is lower	Exceeding 10% of the annual consolidated turnover
v.	Appointment to any office or place of profit in the company its subsidiary company or associate company	Monthly remuneration exceeding Rs.250000	Exceeding 10% of the annual consolidated turnover

vi.	Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	Exceeding 10% of the annual consolidated turnover
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It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The Turnover or Net Worth mentioned in above table shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

Annual consolidated turnover shall be as per the last audited financial statements of the National Fertilizers Limited.

Amendment

The Audit Committee of the Company shall review and may amend this policy from time to time, subject to the approval of the Board of Directors of the Company.

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.

All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

Miscellaneous

1. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:

- (a) name of the related party ;
- (b) name of the director or key managerial personnel who is related, if any;
- (b) nature of relationship;

(c) nature, material terms, monetary value and particulars of the contract or arrangement;

(d) any other information relevant or important for the members to take a decision on the proposed resolution

2. Transactions arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Companies Act, 1956/Companies Act, 2013, will not attract the requirements of section 188 of the Companies Act, 2013
3. Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.
4. If a person has been convicted of an offence dealing with related party transactions under section 188 at any time during the last preceding five years, he shall not be eligible for appointment as a director of the company.
5. Ratification of related party transaction with the director or his relative are required by the Board/ shareholders within 3 (three) months from the date of such contract/ transactions. However, if ratification is not done, then such contract shall be voidable at the option of the Board and shall be indemnified by such director to the Company.
