

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. Preamble**

Natural Capsules Limited (“Company”) recognises that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s interests. This Policy spelling out the review and approval of Related Party Transactions has been adopted by the Company’s Board of Directors, as recommended by the Audit Committee, in order to set forth the procedures under which such transactions must be reviewed and approved or ratified.

This Policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company and is effective 1st October, 2014

The Board of Directors of the Company will review and, if required, may amend this Policy from time to time and such amended Policy shall also be in conformity with the provisions of the Companies Act, 2013, including the Rules made there under and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (“Listing Regulations”/ “SEBI LODR”) and must be approved in the manner as may be decided by the Board of Directors.

### **2. Purpose**

This Policy is framed as per requirement of provisions of the Companies Act, 2013, including the Rules made there under and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (“Listing Regulations”/ “SEBI LODR”) entered into by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions may be considered appropriate only if they are in the best interest of the Company and its shareholders.

### **3. Definitions**

- a. **“Act”** shall mean the Companies Act, 2013 as amended from time to time.
- b. **“Audit Committee or Committee”** shall mean a Committee of the Board of Directors of the Company constituted under provisions of SEBI LODR/ Listing Regulations and the Act.
- c. **“Board”** means the Board of Directors of the Company;
- d. **“Company or NCL”** shall mean Natural Capsules Limited, wherever it is referred to in the policy.
- e. **“Key Managerial Personnel”** means the following managerial personnel as defined under the Companies Act, 2013:
  - i. the Chief Executive Officer or the managing director or manager;
  - ii. the Company Secretary;
  - iii. the Whole-time director;
  - iv. the Chief Financial Officer; and
  - v. such other officer as may be prescribed under the Companies Act, 2013;
- f. **“Policy”** means this Related Party Transactions Policy;
- g. **“Related Party”** means an entity which is a related party as defined in Section 2(76) of

the Companies Act, 2013 and the Rules made thereunder and SEBI LODR, including any subsequent amendments thereof.

- h. **“Related Party Transaction”** shall mean such transactions as specified under the Act and Rules made thereunder and SEBI LODR, including any subsequent amendments thereof.
- i. **“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% of the consolidated annual turnover of the Company as per the last audited financial statements of the Company Rs. 1000 Crores, whichever is lower.
- j. **“Relative”** means a relative as defined under the Act or rules made thereunder and/or SEBI LODR, including any subsequent amendments thereof and in case of any conflict in the definitions between the respective laws, the one which takes all the relations will prevail.
- k. **“Shareholders”** shall mean the shareholders of NCL.
- l. **“Ordinary Resolution”** A resolution shall be an ordinary resolution if the notice required under this Act has been duly given and it is required to be passed by the votes cast, whether on a show of hands, or electronically or on a poll, as the case may be, in favour of the resolution, including the casting vote, if any, of the Chairman, by members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy or by postal ballot, exceed the votes, if any, cast against the resolution by members, so entitled and voting.

#### **4. Policy**

All Related Party Transactions shall require prior approval of the Audit Committee unless otherwise specifically exempted in accordance with this Policy.

##### **Materiality of Related Party Transactions:**

Any 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 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company or Rs. 1000 Crores, whichever is lower.

Any transactions 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 Modifications:**

In relation to a Related Party Transaction approved by the Audit Committee or a material related party transaction approved by the Shareholders, as the case may be, material modifications means any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, as the case may be, and exceeding 20% of value of transaction, in each case, over and above the pre-approved limits.

##### **Dealing with Related Party Transactions:**

- a. **Identification of Potential Related Party and Transactions**  
Every director and Key Managerial Personnel is responsible for providing notice to the

Board or the Audit Committee of the list of related parties as covered under Section 2(76) of the Companies Act, 2013 as well under Accounting Standard 18. This list of related parties shall be updated on an annual basis and further changes informed as soon as possible. Each director as well as KMP shall inform in advance the Company 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 will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

**b. Restrictions relating to Related Party Transactions**

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders and the Related Parties shall abstain from voting on such resolutions.

**Audit Committee Approval-**

All Related Party Transactions, irrespective of whether they are material or not and its subsequent material modifications thereof, shall be entered into only after the prior approval of the Audit Committee is obtained.

Only those members of the audit committee, who are independent directors, shall approve related party transactions.

In case any member of the Committee is interested in the transaction proposed for approval, the interested member shall abstain from voting and only the dis-interested members shall vote on the resolution and the interested Director shall not be present during the discussion in respect of an item of business in which the Director is interested.

The related party transaction 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 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.

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, shall not require approval of the audit committee provided that the same is not material.

The members of the audit committee, who are independent directors, may ratify related party transactions 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 rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification.
- iii) the details of ratification shall be disclosed to stock exchanges along with the disclosures of related party transactions
- iv) Any other condition as specified by the audit committee.

Failure to seek ratification of the audit committee 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.

For the purpose of the approval, the Company shall provide the Audit Committee with the following details in order to enable it to take a learned decision:

1. The name of the related party and nature of relationship.
2. The nature, duration and particulars of the contract or arrangement in case the same have been finalised.
3. The material terms of the contract or arrangement including value, if any. If the same are not arrived at as on date of tabling of the transaction, the estimated/ projected values.
4. Any other data, depending on the transaction, which would be relevant or important for the Committee to take a decision.

**Mechanism for determining Ordinary course of business and Arm's length basis:**

The following guidelines will be used to determine whether a transaction with Related Party is in ordinary course and on arm's length basis:

**Ordinary course of business:**

All transactions or activities that are necessary, normal and incidental to the business of the Company, the objects of the Company permit such activity shall be deemed to be in the ordinary course of business. These may also be common practices, historical practices and customs of commercial transactions with a pattern of frequency.

**Arm's length transaction:**

"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. In this regard, the following guidelines can be used for determining the arm's length basis:

- whether the terms of the transaction are fair and would apply on the same basis if the transaction did not involve a Related Party;
- whether there are any compelling business reasons to enter into the transaction and the nature of alternative transactions, if any;
- whether the transaction would affect the independence of an independent director;
- whether the transaction poses any consequential potential reputational risk issues;
- whether the transaction would present an improper conflict of interest for any director or KMP, taking into account the size of the transaction, the overall financial position of the director's, KMP's or other Related Party, the direct or indirect nature of the director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship.
- For determining the arm's length pricing, the Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income-tax Act, 1961 may be used to determine this criteria on a case-to-case basis.

**Omnibus approval by Audit Committee-**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company or its subsidiary 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 regarding the need for the omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify:
  - the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - the indicative base price / current contracted price and the formula for variation in the price if any; and
  - such other conditions as the Audit Committee may deem fit;

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.1 crore per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company or its subsidiary pursuant to each of the omnibus approvals given.
- e. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of 1 year.

### **Approval of the Shareholders-**

All Material Related Party Transactions, and its subsequent material modifications thereof, shall be entered into only after the prior approval Shareholders of the Company through a resolution.

All Related Party Transactions of subsidiary (and subsequent material modifications), to which the subsidiary of NCL is a party and NCL is not a party, shall require prior approval of the shareholders of the Company, 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.

### **Voting by related party**

No related party shall vote to approve the transaction. But they can vote to disapprove the transaction.

In order to assist the shareholders to take an informed decision, the notice calling for the general meeting shall have the following details in the explanatory statement annexed to the resolution:

1. The name of the related party and nature of relationship.
2. The nature, duration and particulars of the contract or arrangement in case the same have been finalised.
3. The material terms of the contract or arrangement including value, if any. If the same are not arrived at as on date of tabling of the transaction, the estimated/ projected values.
4. Any other data, depending on the transaction, which would be relevant or important for the members to take a decision.

Provided that the approval of audit committee and shareholders shall not be applicable for transactions entered into by

- i) NCL with its wholly owned subsidiaries and

- ii) Two wholly owned subsidiaries of NCL.

#### Review of Related Party Transactions-

All the Related Party Transactions shall be reviewed on a periodic basis by the Audit Committee and the Company shall provide the details of all such transactions to the Committee at its meeting at least once every quarter.

#### **Disclosure to Stock Exchange:**

The Company shall submit to the stock exchanges disclosure of related party transactions, in the format and timeline as specified by SEBI and publish the same on its website.

#### **Authority to make amendments:**

The Policy shall be reviewed by the Board of Directors at least once every three years and shall be updated accordingly.

The Audit Committee shall have the right to make recommendations to the Board with regards to any amendment to the policy and the Board shall have the power to make any amendments to the Policy as it deems fit from time to time, provided that the Policy continues to be in line with the requirements of the SEBI (LODR) Regulation, 2015 and all other applicable laws for the time being in force.

This policy shall be disclosed on the Company's website and the web link to the same shall be provided in the Annual Report.