

NATIONAL CEREALS PRODUCTS LIMITED

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

1. PREAMBLE

The Board of Directors (the “Board”) of National Cereals Products Limited (the “Company”) has adopted this Policy on materiality of and dealing with Related party transactions (the “Policy”) upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions in compliance of the provisions of Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

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

2. DEFINITIONS

“**Act**” means the Companies Act, 2013

“**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.

“**Audit Committee**” or “**Committee**” means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law including the Listing Agreement and the Companies Act, 2013.

“**Board**” means the Board of Directors of National Cereals Products Limited.

“**Company**” means National Cereals Products Limited.

“**Control**” shall have the same meaning as defined under the Companies Act, 2013 and in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“**Joint Venture**” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“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, exceeds ten percent of the consolidated turnover of the Company as per the last audited financial statements of the Company.

“Policy” means the policy on materiality of and dealing with Related party transactions, as amended from time to time.

“Related Party” means a related party as defined under the Companies Act, 2013 or Rules made there under and Clause 49 of the Listing Agreement as amended from time to time.

“Related Party transactions” means such transactions as specified under Section 188 of the Companies Act, 2013 or the Rules made there under and Clause 49(VII)(A) of the Listing Agreement including any amendment or modification thereof, as may be applicable.

“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) A person is related to the another in the following manner, namely:-
 - (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); and
 - (h) Sister (including step-sister).

“Significant Influence” means control of at least twenty five percent of total share capital or of business decisions under an agreement.

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

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

3. MATERIALITY THRESHOLDS

The Clause 49 of the Listing Agreement requires a company to provide materiality thresholds at 10% of the annual consolidated turnover of the Company as per last audited financial statements for transactions beyond which the shareholders' approval will be required by way of a special resolution.

4. IDENTIFICATION OF RELATED PARTIES & TRANSACTIONS

Every Director will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

- i. Names of his / her Relatives;
- ii. Partnership firms in which he/she or his/her Relative is a partner;
- iii. Private Companies in which he/she or his/her Relative is a member or a Director;
- iv. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- v. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his/her advice, directions or instructions; and
- vi. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel of the Company will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

- i. Names of his / her Relatives;
- ii. Partnership firms in which he/she or his/her Relative is a partner;

Every Director, Key Managerial Personnel or other officers authorized to enter into contracts/arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

Any transaction by the company with a Related Party will be regulated as per this Policy.

5. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

(A) Audit Committee

All related party transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made there under. However, the Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company, subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company 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 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 (e.g. +/- 5%); and
 - (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceed Rs.1 Crore per transaction.

- d. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- e. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- i. Nature of the transaction i.e. details of goods or property to be acquired/ transferred or services to be rendered/availed -including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- ii. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- iv. Special terms covered/ to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - a. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - b. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - c. management assessment of pricing terms and business justification for the proposed transaction;
 - d. comparative analysis, if any, of other such transaction entered into by the company.

(B) Board of Directors

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and on an arm's length basis, shall be placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- i. Transactions which may be in the ordinary course of business and on an arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board's approval in addition to approval of the Audit Committee;

- ii. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or on an arm's length basis and decides to refer the same to the Board for approval;
- iii. Transactions which are in the ordinary course of business and on an arm's length basis, but which in Audit Committee's view requires Board approval.
- iv. Transactions meeting the materiality thresholds laid down in Clause 3 of the Policy, which are intended to be placed before the shareholders for approval.

(C) Shareholders

All the transactions with related parties meeting the materiality thresholds, laid down in Clause 3 of the Policy, shall be placed before the shareholders for approval.

For this purpose, 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.

Clause 49(VII) (E) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary (ies) whose accounts are consolidated with the Company.

All existing material related party contracts or arrangements which are likely to continue beyond March 31, 2015 shall be placed for approval of shareholders in first General Meeting subsequent to 1st October, 2014.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and on an arm's length basis; and (b) exceed the thresholds laid down under the Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for their approval.

6. DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or on an arm's length basis along with the justification for entering into such transaction.

The detail of all material transactions with related parties shall be disclosed quarterly along with the Company's Compliance Report on corporate governance, in accordance with the listing agreement.

The Company shall disclose this Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as it may deem appropriate, may direct additional actions including but not limited to discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. AMENDMENTS IN LAW

Any subsequent amendment(s)/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this policy.
