



NACL INDUSTRIES LIMITED

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

1. Preamble

NACL Industries Limited (“**Company**”) recognizes 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. Therefore, this Policy has been adopted by the Company’s Board of Directors, as recommended by the Audit Committee, in order to determine the manner of dealing with Related Party Transactions including determination of materiality of Related Party Transactions, Material Modifications (as defined below), and setting forth the procedures under which certain transactions must be reviewed and approved as per the applicable provisions of Companies Act and SEBI LODR Regulations as defined below.

2. Purpose

This Policy is framed as per requirement of Regulation 23 of the SEBI LODR Regulations and is intended to ensure proper reporting, approval, and disclosure of Related Party Transactions. Such transactions may be considered appropriate only if they are in the best interest of the Company.

3. Definitions

- a. “Audit Committee” or “Committee” means the Audit Committee as constituted by the Board of Directors of the Company under applicable law.
- b. “Board” or “Board of Directors” means the Board of Directors of the Company, as constituted from time to time.
- c. “Companies Act” means the Companies Act, 2013 together with the rules formulated thereunder, as amended from time to time.
- d. “Director” means a member of the Board of Directors of the Company.
- e. Industry Standards means the details specified in the SEBI vide its circular SEBI/HO/CFD/CFD-Pod-2/P/CIR/2025/93 dated June 26, 2025.
- f. “Key Managerial Personnel” or “KMP” means the managerial personnel as defined under Section 2(51) of the Companies Act.
- g. “Material Modification” shall mean a modification to the terms of Related Party Transaction, the effect of which will be an increase over the approved limit for such a transaction, by an amount of more than Rs.50 Crores in a financial year or ten percent (10%) of the approved limit, whichever is higher.

- h. “Material Related Party Transaction” means a transaction with a Related Party which, individually or taken together with previous transactions during a financial year, meets the materiality thresholds prescribed under Regulation 23 of the Listing Regulations read with Schedule XII thereto, as amended from time to time, based on the annual consolidated turnover of the Company as per the last audited financial statements.

As on date, a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds the following threshold criteria:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

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 as per the last audited consolidated financial statements of the Company in a manner prescribed under Regulation 23 and Schedule XII of the Listing Regulations.

- i. “Policy” means this Related Party Transactions Policy.
- j. ‘Promoter’ and ‘Promoter Group’ shall have the meaning assigned to it under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any amendment thereof.
- k. “Related Party” means a person or an entity defined as a related party under Section 2(76) of the Act read with relevant rules made thereunder or under the applicable accounting standards as amended from time to time and under Regulation 2(1)(zb) of SEBI LODR Regulations, as amended from time to time.
- l. “Related Party Transaction” means any transaction(s) including transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged or not. This includes the transactions as defined under clause (a) to (g) of subsection (1) of Section 188 of the Act and the corresponding Rules thereto and a transaction as defined under Regulation 2(1) (zc) of SEBI LODR Regulations, as amended from time to time.
- m. “Relative” means a relative as defined in Section 2(77) of the Companies Act.

- n. "SEBI LODR Regulations" means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
- o. "Subsidiary" means a subsidiary as defined in section 2(87) of the Companies Act

Any other term not defined herein shall have the same meaning as defined in the Companies Act or SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

4. Manner of dealing with Related Party Transactions

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee unless otherwise specifically exempted in accordance with this Policy. Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

4.1 Identification/monitoring mechanism of potential Related Party and Transactions

The Company shall identify the Related Parties and the transaction with the Related Parties as follows:

- a. Every director and Key Managerial Personnel shall be responsible for providing to the Board or the Audit Committee, a list of his/her related parties at the time of his/her appointment, on an annual basis and whenever there is a change in the information already submitted.
- b. The list of Promoters and Promoter Group shall be as per disclosure(s) under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time.
- c. Each Subsidiary of the Company shall provide its list of Related Parties and changes therein to the Company promptly. The Company shall review and update the list of Related Parties on a regular basis and changes, if any, shall be considered as soon as possible.

The Company shall put in place an appropriate monitoring mechanism to track all the transactions with Related Parties which may *inter-alia* include the following:

- a. The Company shall maintain an up-to-date database of Related Parties including their PAN or any other unique identity number.
- b. The Company shall put in place a process to assess all the potential transactions with Related Parties ahead of the transactions and seek necessary approvals from the Audit Committee/ Board/shareholders as the case may be.
- c. The Chief Financial Officer (CFO) and Company Secretary (CS) of the Company will determine and assess whether the transaction(s) constitutes a Related Party Transaction

and seek necessary approvals prior to the transactions.

- d. The Related Party transactions shall be flagged for further evaluation/ monitoring and compliance of this Policy.
- e. Certificate from the Chief Executive Officer (CEO)/Managing Director/Whole Time Director/ Manager and Chief Financial Officer (CFO) shall be provided to the Audit Committee as per the Industry Standards.

4.2 Review and approval of Related Party Transactions

4.2.1 Approval of Audit Committee

- a. Subject to the Omnibus approval process under Regulation 23(3) of the SEBI LODR Regulations, all Related Party Transactions of the company or its subsidiary and subsequent Material Modifications shall require prior approval of the Audit Committee.
- b. A 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 the threshold limits specified under Regulation 23(2) of SEBI LODR Regulations, as amended from time to time.
- c. Where any member of the Audit Committee/Director is interested in any contract or arrangement with a Related Party, such member/Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- d. The Audit Committee at its discretion may grant omnibus approval proposed to be entered by its subsidiary Companies.
- e. The audit committee may review on a quarterly basis the details of related party transactions entered into by the Company or its subsidiary Companies.
- f. The Audit Committee may review the information as specified in the Industry Standards or such other circulars issued by SEBI on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction”, while placing proposal for review and approval of an RPT.

4.2.2 Approval of Board of Directors

The following transactions shall require prior approval of the Board duly recommended by the Audit Committee:

- a. All transactions with Related Parties specified under Section 188 of the Companies Act Which are not in ordinary course of business or not at arm’s length or both.

- b. All transactions with Related Parties which require approval of the shareholders under the Companies Act or SEBI LODR Regulations.

4.2.3 Approval of shareholders

- a. As specified under Regulation 23 of SEBI LODR Regulations all Material Related Party Transactions and any subsequent Material Modifications made thereto, shall require prior approval of the shareholders through a resolution and the Related Parties shall not vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.
- b. All Related Party transactions specified under Section 188 of the Companies Act which are not in ordinary course of business or not on arm's length basis or both and exceed the threshold limits specified thereunder shall require prior approval of the shareholders through a resolution and voting restrictions for this purpose would be governed by the Companies Act as amended from time to time.
- c. The information as part of the explanatory statement to Notice being sent to Shareholders shall contain details as specified in the Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction".

5. Procedure for approving Related Party Transactions and Material Modifications

- 10.1 The Audit Committee / Board/shareholders shall be provided with the material facts of such Related Party Transactions and such information/formats as specified under the Companies Act or SEBI LODR Regulations or Industry Standards or any notifications/circulars issued in this regard, as amended from time to time and the Audit Committee / Board/shareholders will determine whether to approve such Related Party Transactions or not.

Further, the Audit Committee / Board, as the case may be, is entitled to seek the assistance of any employee of the Company or its Subsidiaries or one or more independent experts of its choice at the expense of the Company or its Subsidiaries.

- 10.2 In assessing a Related Party Transaction, the Company and the Audit Committee shall consider such factors as it deems appropriate, including without limitation –
 - i. The business reasons for the Company to enter into the Related Party Transaction.
 - ii. The commercial reasonableness of the terms of the Related Party Transaction.
 - iii. The materiality of the Related Party Transaction to the Company or its Subsidiaries.
 - iv. whether the terms of the Related Party Transaction are fair to the Company or its Subsidiaries and on the same basis as would apply if the transaction did not involve a Related Party.

- v. The extent of the Related Party's interest in the Related Party Transaction and
- vi. Abuse of position on account of conflict of interest and non-arms length dealings which Are beneficial to the related party but detrimental to the other stakeholders.

6. Related Party Transactions which do not require approval

The following Related Party Transactions shall not require approval of Audit Committee/ Board/shareholders as the case may be:

- i. Any transaction including subsequent Material Modifications entered into between
 - a. The Company and its wholly owned Subsidiary or
 - b. Four wholly owned Subsidiaries of the Company

Whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for its approval.

- ii. Any Related Party Transactions including subsequent modifications entered into by a listed Subsidiary of the Company which is required to comply with Regulation 15(2) and Regulation 23 of SEBI LODR Regulations, provided the Company is not a party to such transaction.

any related party transactions including subsequent modifications entered by unlisted Subsidiary of a listed subsidiary, provided prior approval of Audit Committee of the listed subsidiary which is required to comply with Regulation 15(2) and Regulation 23 of SEBI LODR Regulations is obtained.

- iii. Any transaction in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within the prescribed timeline.
- iv. 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 audit committee provided that the same is not material in terms of the provisions of Regulation 23 of SEBI LODR regulations.

7. Mechanism for determining ordinary course of business and arm's length basis: Ordinary course of business:

- a. All transactions or activities that are necessary, normal, and incidental to the business of the Company shall be deemed to be in the ordinary course of business. These may also be common practices and customs of commercial transactions.
- b. To decide whether an activity which is carried on by the business is in the 'ordinary course of business', the following factors *inter-alia* may be considered:
 - i. Whether the activity is covered in the objects clause of the Memorandum of Association
 - ii. Whether the activity is in furtherance of the business
 - iii. Whether the activity is normal or otherwise routine for the particular business (i.e.,

- activities like advertising, staff training, etc.)
- iv. Whether the activity is repetitive/frequent
 - v. Whether the income, if any, earned from such activity/transaction is treated as Business income in the company's books of account
 - vi. Whether the transactions are common in the particular industry
 - vii. Whether there is any historical practice to conduct such activities
 - viii. The financial scale of the activity with regard to the operations of the business
 - ix. Revenue generated by the activity
 - x. Resources committed to the activity

Arm's Length:

- c. The following guidelines may 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/KMP or other Related Party, the direct or indirect nature of the Directors', KMPs', 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 these criteria on a case-to-case basis.

An Independent Chartered Accountant or a firm/LLP of Chartered Accountants shall provide a quarterly certification to the Audit Committee certifying that all the Related Party Transactions are in the ordinary course of business and at arm's length.

8. Omnibus approval

Criteria and the need for granting omnibus approval by the Audit Committee:

- a. The Audit Committee may, in the best interests of the Company and to ensure smooth operations, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company and its subsidiaries, which are routine and repetitive in nature and incidental to the general operations of the Company/subsidiaries, subject to such criteria/conditions as it may deem fit, after taking into account the justification for needing an omnibus approval. Such approval shall specify the details as required under the Companies Act, SEBI LODR Regulations or any notifications/circulars/Industry Standards issued thereunder, as amended from time to time.

- b. The Audit Committee may specify any additional conditions for such determination, as it may deem fit.
- c. The Audit Committee may also consider and grant omnibus approval for unforeseen transactions, subject to their value not exceeding Rs. 1 crore per transaction.
- d. Such omnibus approvals shall be valid for a maximum period of one year.
- e. The Audit Committee shall review the details of Related Party Transactions entered into by the Company pursuant to such omnibus approvals, on a quarterly basis.
- f. The Audit Committee shall also review the status of long-term (more than one year) and recurring Related Party Transactions on an annual basis.

9. Ratifications of Related Party Transactions

The independent directors of the Audit Committee, may ratify related party transactions within three 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 rupees one crore;
- (ii) the transaction is not material in terms of the provisions of regulation 23 of the SEBI Listing Regulations;
- (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 transactions in terms of the provisions of this regulation;

Provided that 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 authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

10. Related Party Transactions not approved under this Policy

- 10.1 In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 shall take any such action it deems appropriate.

- 10.2 In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without its approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.
- 10.3 In cases where the Board and / or shareholders' approval is required for a Related Party Transaction, but such approval has not been obtained, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such Related Party Transaction was entered into, such Related Party Transaction shall be voidable at the option of the Board.

11. Disclosures:

The Company shall make necessary disclosures as per the requirements under the Companies Act, SEBI LODR Regulations and Indian Accounting Standards, as the case may be, within the prescribed timelines.

12. Limitation, Amendment(s) and Policy Review:

In the event of regulatory changes which make any of the provisions in the Policy inconsistent such amended regulatory changes would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law(s).

This Policy shall be reviewed by the Audit Committee and Board at least once in every three years. Any changes or modification to the Policy as recommended by the Audit Committee would be presented for approval of the Board. The Board may from time to time authorize Directors to make changes in the policy due to regulatory or legal requirement and such changes made to be brought to the attention of the Board at the first meeting following the amendment(s).

13. General

This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.

In case of any amendment(s), clarification(s), circular(s) etc. issued by therelevant authorities, not being consistent with the provisions laid down underthis 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.

**** This code of conduct was modified on 29.01.2026 ****