



NOMURA

Policy on Related Party Transactions

Companies Act, 2013

Nomura Capital (India) Private Limited

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1. PREAMBLE

The Board of Directors (the “Board”) of Nomura Capital (India) Private Limited (the “Company” or “NCIPL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below.

The Audit committee, Board and shareholders, as applicable will review the policy on a periodic basis and may amend this policy from time to time, if required.

This policy will be applicable to the Company and is aimed at laying down a framework to benchmark transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. OBJECTIVE

This document provides the detailed process to benchmark all related party transactions between NCIPL and its associated enterprise as per the Indian Companies Act, 2013. The Company proposes to categorize transactions into various classes and **adopt the benchmarking mechanism as may be most appropriate to that class of transactions or as provided under the Indian Income Tax Laws**

The Benchmarking Methodology for the related party transactions that are currently being undertaken by the Company is given in Annexure 3.

3. DEFINITIONS

“**Audit Committee**” means the Audit Committee constituted by the Board of Directors of the Company.

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

“**Related Party**”:

An entity shall be considered as related to the Company if:

- (i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or/and
- (ii) Such entity is a related party under the applicable accounting standards."

“**Policy**” means Related Party Transaction Policy.

“**Arm’s length transaction**” means a transaction between two related persons that is conducted as if they were unrelated, so that there is no conflict of interest.

“**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

4. THRESHOLD

Section 188 of the Companies Act, 2013 *inter-alia* requires that for all categories of transactions mentioned below, prior approval of the Audit Committee (where applicable), the Board of Directors and the Shareholders be generally obtained: Categories of Transactions:

- all companies having a share capital exceeding Rs. 10,00,00,000 (Rupees Ten Crore) (USD 1.6 million); or
- transactions above the following threshold limits

to obtain approval of the shareholders by way of a special resolution

Nature of transaction	Threshold
Sale and purchase of any goods	Exceeds 25% of the annual turnover of the preceding financial year or Indian Rupees 100,00,00,000 (Rupees Hundred Crore) (USD 16 million), whichever is lower
Selling or otherwise disposing of or buying of property of any kind	Exceeds 10% of the net worth of the preceding financial year or Indian Rupees 100,00,00,000 (Rupees Hundred Crore) (USD 16 million), whichever is lower
Leasing of property	Exceeding 10% of net worth of the Company or 10% of turnover of the Company or Indian Rupees 100,00,00,000 (Rupees Hundred Crore) (USD 16 million), whichever is lower
Availing or rendering of services	Exceeds 10% of the net worth of the preceding financial year or Indian Rupees 50,00,00,000 (Rupees Fifty Crore) (USD 8 million), whichever is lower
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Exceeds a monthly remuneration exceeding Indian Rupees 2,50,000 (Rupees Two Lakhs and Fifty Thousand) (USD 4,000)
Remuneration for underwriting the subscription of any securities or derivatives thereof	Exceeding 1% of net worth of the Company

It is hereby clarified that the aggregate value of all transactions undertaken during the financial year within that category would be considered for the purpose of the limits specified for the first four categories

For the purposes of this policy all related party transactions shall be conservatively benchmarked

5. DOCUMENTATION

It would be the joint responsibility of business and finance to ensure that adequate documentation is maintained to establish the transaction is at arm's length.

6. POLICY

All Related Party Transactions entered during FY 2014-15 as specified in Annexure 2 and its corresponding benchmarking methods as specified in Annexure 3 are put before the Audit committee, Board and shareholders as applicable for their approval. The benchmarking methodology shall continue to be applicable for subsequent period/years as well.

In case there is any proposed change in the method of benchmarking as laid down in Annexure 3 for any of the existing transactions as listed in Annexure 2 the same also shall be brought to the notice of Audit Committee, Board and Shareholders as applicable, for its approval.

General approval is sought from the Audit Committee, Board and Shareholders for Financial Year 2014-15 and Financial Year 2015-16 to enter into transactions with related parties up to the limits specified in Annexure 4

ANNEXURE 1

ACRONYMS

Acronym	Description
NFASI	Nomura Financial Advisory and Securities (India) Pvt Ltd
NFIS	Nomura Fixed Income Securities Pvt Ltd
NCIPL	Nomura Capital (India) Pvt Ltd
NSL	Nomura Singapore Ltd
NSIPL	Nomura Services India Pvt. Ltd
NSFS	Nomura Structured Finance Services Pvt. Ltd
NISP	Nomura Investments (Singapore) Pte Ltd
NIHK	Nomura International (Hong Kong) Ltd
NHI	Nomura Holdings Inc.
DFI	Debt Fund India

ANNEXURE 2

CLASS OF TRANSACTIONS

Sr no	Nature of transaction	Brief description	Manner of pricing	Related Party
1	Cross charge for Occupancy cost	NFASI has signed lease agreements with the landlord and it allows usage of some portion to NCIPL necessitating cross charge for occupancy and related costs to NCIPL.	Total occupancy cost is charged based on actual area used by respective entities	NFASI
2	Cross charge for Support costs	NFASI houses all the corporate divisions who support NCIPL necessitating appropriate cross charge to NCIPL.	Total support cost is charged based on Headcount allocated or time spent	NFASI
3	Purchase & sale of securities	NCIPL purchases and sells securities with various related parties	Market price	NSL, NISP, DFI, NFIS
4	Brokerage F&O	NFASI executes trades in F&O segment for its group companies for which it charges commission	As agreed by business. In the range of 2-3bps (gross) of the trade value	NFASI
5	Clearing fees	NFASI clears trades in the F&O segment for its group companies for which it charges clearing fees	As agreed by business. Around 0.5 bps (gross) of the trade value	NFASI
6	Placement of margins moneys & MTM exchanged	NFASI as a broker has to place some margins with the exchange and requires collateral from NCIPL to execute and clear trades in the F&O segment.	As per volumes and stock exchange regulations. Transfer pricing not applicable as no interest is paid & for MTM it's a pass through transaction.	NFASI
7	Powai Cross charge	Powai provides support in areas of finance, legal, compliance etc	IT enabled services @cost + 6% (current markup) which is currently as per global	NSIPL, NSFS

			Nomura TP policy for similar services rendered	
8	Origination & client relationship fees	Joint venture between IBD and FID/Equity are split in the ratio of 50:50	Total revenue is split 50:50 between NCIPL and NFASI as agreed by respective business	NFASI
9	Inter corporate deposits	Borrowing	Interest is priced at 1 year G-sec or any other appropriate method	NSIPL, NSFS, NFASI
10	Re-imbursment / Recovery of expense	At actuals	At actuals	NIHK & other related parties
11	Commercial Paper	Borrowing	Interest is priced at similar instruments issued by other NBFC of same credit standing	NSL, NISP etc
12	Director & KMP remuneration	Remuneration	HR Compensation process	Directors, CFO etc

Note : If a new class of transaction is added, this note would require a revisit. However, addition / deletion of a related party for the same class of transaction would not require any revisit.

ANNEXURE 3

BENCHMARKING METHOD FOR EXISTING TRANSACTIONS

Sr no	Nature of transaction	Tax benchmarking	Rationale for Arm's length Pricing	Periodicity / (Responsibility) of benchmarking
1	Cross charge for Occupancy cost	Not applicable*	NFASI is not in the business of leasing property and it's a matter of only administrative convenience for the Landlord to bill one Lessee. Hence the most apt method to cross charge is actual cost to respective related parties for its pro rata use	Inception (Finance)
2	Cross charge for Support costs	Not applicable*	NFASI is not in the business of providing corporate support services and it's a matter of only administrative convenience to house most corporates in the flagship entity to oversee various other related group entities. Hence the most apt method to cross charge is actual cost to respective related parties for its pro rata use	Inception (Finance)
3	Purchase & sale of securities	CUP (Internal & External)	Compare the price at which same instrument is purchased or sold to another unrelated party in the same time proximity. Also the prices could be compared with FIMMDA, Reuters, CCIL, NSE published prices	Inception (Business)
4	Brokerage F&O	Not applicable *	Based on quotation obtained from another broker or any other such suitable method	Inception (Business)
5	Clearing fees	Not applicable*	Based on quotation obtained	Inception

			from another broker / clearing member or any other such suitable method	(Business)
6	Placement of margins moneys	Not applicable*	This is pure exchange of principal & doesn't warrant any benchmarking	Not applicable
7	Powai Cross charge	Not applicable*	Currently cross charged @6% As per TNMM the average margin charged is around 15%-25%. Since it's an expense for the firm & the markup charged is significantly lower, this should be treated as arm's length.	Year end in November (Finance)
8	Origination & client relationship fees	Not applicable *	This split is agreed between business and mostly accepted globally as a fair share	Inception (Finance)
9	Inter - corporate deposits	Not applicable *	Bloomberg / Other market data / bank rates showing relevant yields for similar tenure	Inception (Business)
10	Re-imburement / Recovery of expense	Not applicable	Being a re-imburement at cost is appropriate	Inception (Finance)
11	Commercial Paper	Other method	Bloomberg quotes/screen shot for similar credit rating and similar tenure instrument	Inception (Business)
12	Director & KMP remuneration	Other method	Compensation process by HR. Remuneration has been paid considering his job profile (including qualification, experience, performance etc) and not for the directorship.	Inception (HR)

ANNEXURE 4

GENERAL APPROVAL LIMITS

Sr no	Nature of transaction	Brief description	Related Party	Amount (Rs Mn) FY2014-15	Amount (Rs Mn) FY 2015-16
1	Cross charge for Occupancy cost	NFASI has signed lease agreements with the landlord and it allows usage of some portion by its various group companies necessitating cross charge for occupancy and related costs to NCIPL.	NFASI	40.0	40.0
2	Cross charge for Support costs	NFASI houses all the corporate divisions who support various group companies necessitating appropriate cross charge to NCIPL.	NFASI	50.0	50.0
3	Purchase & sale of securities	NCIPL purchases and sells securities with various related parties	NSL, NISP, DFI, NFIS	25,000.0	40,000.0
4	Brokerage F&O	NFASI executes trades in F&O segment for its group companies for which it derives income	NFASI	10.0	10.0
5	Clearing fees	NFASI clears trades in the F&O segment for its group companies for which it derives income	NFASI	5.0	5.0
6	Placement of margins & MTM exchanged	NFASI as a broker has to place some margins with the exchange and requires collateral from NCIPL to execute and clear trades in the F&O segment.	NFASI	500.0	500.0

Sr no	Nature of transaction	Brief description	Related Party	Amount (Rs Mn) FY2014-15	Amount (Rs Mn) FY 2015-16
7	Powai Cross charge	Powai provides support in areas of finance, legal, compliance etc	NSIPL, NSFS	40.0	40.0
8	Origination & client relationship fees	Joint venture between IBD and FID/Equity are split in the ratio of 50:50	NFASI	100.0	100.0
9	Inter corporate deposits	Borrowing	NSIPL, NSFS, NFASI	5,000.0	5,000.0
10	Re-imbursment / Recovery of expense	At actuals	NIHK etc	30.0	30.0
11	Commercial Paper	Borrowing	NSL, NISP etc	5,000.0	5,000.0
12	Director & KMP remuneration	Remuneration	Directors, CFO etc	100.0	100.0