

# **SRI NACHAMMAI COTTON MILLS LIMITED**

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **INTRODUCTION**

The Board of Directors (the "Board") of Sri Nachammai Cotton Mills Limited (the "Company" or "SNCM"), with regard to Related Party Transactions, in line with the requirements of Section 188 of the Companies Act, 2013 and the Revised Clause 49 of the Listing Agreement. This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee which would reviewed and amended, as and when required, subject to the approval of the Board.

### **OBJECTIVES**

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties. This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

### **DEFINITIONS**

"Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

"Board" means Board of Directors of Sri Nachammai Cotton Mills Limited.

"Audit Committee or Committee" means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

"Board" means the Board of Directors as defined under the Companies Act, 2013.

"Key Managerial Personnel" means Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.

Transactions in "ordinary course of business" shall mean and include-

Transactions that are entered in the normal and usual course of business and are identical to the business of the company.

Transactions that are reasonable in the context of the business of the Company.

Transactions that are part of the standard industry practice.

"Material Related Party Transaction" means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company and such limits prescribed under Companies Act, 2013 read with relevant rules and the Listing Agreement and as amended from time to time.

"Policy" means Related Party Transaction Policy of the Company.

"Related Party" means a related party as defined under Section 2(76) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement and as amended from time to time.

“Related Party Transaction” means all transaction between the Company and one or more related party including contracts, arrangements and transactions prescribed under Section 188(1) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

“Relative” means a relative as defined under Section 2(77) of the Companies Act, 2013 and the rules framed thereunder.

### **MATERIALITY THRESHOLDS**

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Clause 49(VII) (C) of the Listing Agreement.

### **IDENTIFICATION OF RELATED PARTY TRANSACTIONS:**

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Every Director and Key Managerial Personnel is responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction on the request of the Audit Committee. The Board shall record the disclosure of interest and the Audit Committee will determine whether the does in fact, constitute a Related Party Transaction requiring compliance with the Policy/ transaction is in the ordinary course of business and on an arm’s length basis.

### **APPROVAL OF RELATED PARTY TRANSACTIONS**

#### **APPROVAL OF THE AUDIT COMMITTEE**

All related party transactions must be reported to the Audit Committee for its prior approval in accordance with this policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

The Audit Committee shall grant “**omnibus approval**” to Related Party Transactions that are:

- a. repetitive in nature; and/or
- b. entered in the ordinary course of business and are at Arm’s Length. The expression Arm’s Length has the meaning ascribed to it under Section 188 of the Companies Act, 2013.
- c. The transaction in question is necessary to be executed as it is in the business interest of the Company;
- (d) Such omnibus approval shall specify :
  - (1) the name/s of the Related Party,
  - (2) nature of transaction,
  - (3) period of transaction,
  - (4) maximum amount of transaction that can be entered into,
  - (5) Indicative base price / current contracted price and formula for variation in price, if any
  - (6) 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 rupees one crore per transaction.

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

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

#### **APPROVAL OF BOARD OF DIRECTORS**

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting. All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board shall consider and approve the related party transaction at a meeting.

#### **APPROVAL OF SHAREHOLDERS**

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and rules framed there under and the Listing Agreement. All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length shall, subject to the limits mentioned in Rules 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, also require the approval of the shareholders through special Resolution and the Related Parties shall abstain from voting on such resolution.

#### **RATIFICATION**

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. A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

Where any contract or arrangement is entered into, without obtaining the consent of the Audit Committee, Board or approval by a Special Resolution in the General Meeting 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 contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board.

If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority. However the Related Party transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority, the applicable provisions of the Companies Act, 2013 and Listing Agreement, shall apply.

**DISCLOSURES**

This policy shall be displayed on the web site of the Company. Details of Material Related Party Transactions if any, shall be disclosed to the Stock Exchange quarterly along with the compliance report on Corporate Governance. Related Party Transaction entered into by the Company under Section 188(1) of the Companies Act, 2013, shall also be disclosed in the Board's Report.

**AMENDMENTS TO THE POLICY**

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

