

KALLAM SPINNING MILLS LIMITED
POLICY ON RELATED PARTY TRANSACTIONS

◆ **POLICY:**

Kallam Spinning Mills Limited shall engage with Related Parties in the ordinary course of business and on an arm's length basis to leverage scale, size and drive operational synergies to provide value added, innovative products to its consumers while ensuring that transactions with Related Parties are, fully compliant with applicable Regulations.

◆ **OBJECTIVE:**

Company is committed to upholding the high standards of corporate governance and recognizes that any transactions with parties which are related to the Board members or Senior Management can present a risk of actual or apparent conflicts of interest.

Taking this into consideration, objective of this Policy is to lay down requisite process framework and approval mechanism for dealing with material related party transactions.

◆ **DEFINITIONS:**

For this Policy, following terms shall have the meanings ascribed to them as under:

- **“Act”** means Companies Act, 2013 and the Rules framed there under, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- **“Arm's length basis”** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- **“Company”** means “Kallam Spinning Mills Limited.”
- **“Key Managerial Personnel”** (KMP) means the Key Managerial Personnel of the company in terms of the Act.
- **“Listing Agreement”** means the Listing Agreement entered into between the Company and the Stock Exchanges and amendments thereof.
- **“Material Related Party Transactions”** means transactions entered into by the Company with a related party, which individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements.
- **“Related Party”** means a Related Party as defined under the Act read with Clause 49 of the Listing Agreement.
- **“Related Party transactions”** means any transactions/contracts/ arrangement between the Company and any related parties for transfer of resources, services or obligations, regardless of whether the price is charged and includes transactions that are specified as Related Party Transactions under the Act, 2013 and Listing Agreement
- **“Relatives”** means a relative as defined under the Act.
- **“Office or place of profit”** means office or place of profit as defined under the Act
- **“Control”** means control as defined under the Act .

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◆ **APPLICABILITY OF POLICY :**

This policy is applicable to Kallam Spinning Mills Limited. The policy may be adopted by the Board of Directors. Accordingly, the terms 'Company', 'Board of Directors', 'Audit Committee', 'Nomination and Remuneration Committee', 'Corporate Social Responsibility Committee' shall be construed with reference to the respective companies. In case the Company is not required to constitute any of the Committee as per the applicable provisions of the Companies Act, 2013 and the Equity Listing agreement, the reference to the Committees in this policy shall be read as the 'Board of Directors'.

This policy shall be applicable to all Related Party Transactions entered into on or after 01st April, 2014. The Audit Committee of the Company shall review all existing related party transactions as a matter of good governance and agree on corrective steps, if required, to ensure that the transactions entered are in the ordinary course of business and are on an arm's length basis.

◆ **MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS'S:**

Approval requirements

All Related Party Transactions irrespective of value and volume shall be undertaken only after taking prior approval of the Audit Committee and the Board. Any member of the Audit committee or Board who has a potential conflict of interest in the transaction shall not remain present in the meeting or shall abstain from the discussion and voting on such transaction.

All Related Party Transactions prescribed to be undertaken only after taking approval of members of the Company.

If due to compelling reasons, any Related Party Transactions are done without taking prior approval of Audit Committee and Board or the General Body as the case may be, then the same shall be ratified within 3 months else the same would be voidable at the option of the Board.

◆ **Information to be placed before the Audit Committee and Board of Directors for approval of Related Party Transactions**

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.

Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

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◆ **INTERESTED DIRECTORS AND KEY MANAGERIAL PERSONNEL NOT TO PARTICIPATE:**

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

◆ **APPROVAL OF SHAREHOLDERS:**

All the Related Party Transactions which are not on arm's length and exceeds the threshold limits prescribed under the Act and the Listing Agreement as also all Material Related Party Transactions shall require Prior approval of Shareholders through special resolution. All the Related parties shall abstain from voting on such resolutions.

◆ **DISCLOSURES :**

Details of all Material Related Parties Transactions shall be disclosed, on quarterly basis, along with the compliance report on corporate governance, to the Stock Exchanges.

The Company shall also disclose the policy required under Accounting Standard, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

◆ **EXEMPTIONS:**

Nothing contained in this policy shall apply to any contract or arrangements with Related Party in the ordinary course of its business and on an arm's length basis and transactions which are exempted under the Act and the Listing Agreement and also the Following transactions shall not require separate approval under this policy:

- Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
- Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in other Related Parties;
- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Equity Listing Agreement;
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company

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◆ **MONITORING & REVIEW:**

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 or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this 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.