

**SANTARAM SPINNERS LIMITED:  
POLICY ON RELATED PARTY TRANSECTION**

**POLICY ON RELATED PARTY TRANSECTION**

**SCOPE AND PURPOSE OF POLICY:**

Related party transaction can present a political or actual conflict of interest which may be against the best interest of the Company and its share holders. Considering the requirement for approval of related party transaction as prescribed under the companies Act, 2013 ("Act") read with rules framed there under and clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014, **Santaram Spinners Limited** ("SSL" or "the Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all Related Party Transaction.

Also, Clause-49 (VII) (c) of the Listing Agreement requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of above, SSL has framed this policy on Related Party Transactions ("Policy"). This policy has been adopted by the Board of Directors of the Company based on the recommendation of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to approval of the Board.

**OBJECTIVE OF THE POLICY:**

The objective of this policy is to set out,

- a. the materiality thresholds for Related Party Transaction, and
- b. The manner and dealing with the transaction between the Company and its related parties based on the Act, Clause 49 of Listing Agreement and any other law and regulation as may be applicable to the Company.

**DEFINITIONS:**

a.	<b>"ACT"</b>	shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.
b.	<b>"ARM'S LENGTH"</b>	means a transaction between two related parties

**SANTARAM SPINNERS LIMITED:  
POLICY ON RELATED PARTY TRANSECTION**

	<b>TRANSECTION (“ALP”)</b>	that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s length basis, guidance may be taken from provisions of Domestic Transfer Pricing under Income Tax Act, 1961.
c.	<b>“ORDINARY COURSE OF BUSINESS”</b>	means a transaction which is: <ul style="list-style-type: none"> <li>➤ Carry out in Norma Course Of Business envisaged in accordance with the Memorandum Of Association of the Company as amended from time to time, or</li> <li>➤ Historical practice with a pattern of frequency; or</li> <li>➤ Common Commercial Practice, or</li> <li>➤ Meet any other parameters/criteria as decided by the Board/ Audit Committee</li> </ul>
d.	<b>“MATERIAL RPT”</b>	if the transaction / transactions to be entered into 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 of the company.
e.	<b>“ASSOCIATE COMPANY”</b>	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.  Explanation.—For the purposes of this clause, “significant influence” means control of at least twenty per cent. of total share capital, or of business decisions under an agreement;
f.	<b>“CONTROL”</b>	has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
g.	<b>“FINANCIAL YEAR”</b>	shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.
h.	<b>“HOLDING COMPANY”</b>	in relation to one or more other companies, means a company of which such companies are subsidiary companies;
i.	<b>“OFFICE OR PLACE OF PROFIT”</b>	means any office or place— <ul style="list-style-type: none"> <li>(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the</li> </ul>

**SANTARAM SPINNERS LIMITED:  
POLICY ON RELATED PARTY TRANSACTION**

		<p>remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;</p> <p>(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.</p>
<b>j.</b>	<b>"POLICY"</b>	means this Related Party Transaction Policy of the Company.
<b>k.</b>	<b>"RELATIVE"</b>	shall mean "relative" as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.
<b>l.</b>	<b>"RELATED PARTY/IES"</b>	<p>Will have a same meaning as defined under section 2(76) of the Act and /or Clause 49.</p> <p>Reference and reliance may be placed on the clarification issued by the ministry of Corporate Affairs, Government of India, and SEBI and other authorities from time to time on the interpretation of term related party.</p>
<b>m.</b>	<b>"RELATED PARTY TRANSACTIONS"</b>	mean all the transaction between the company on one hand and one or More related party on the other hand including contracts, arrangements and transactions as envisaged in section 188 of the Companies Act, 2013 and Clause 49 of Listing Agreement;
<b>n.</b>	<b>"KEY MANAGERIAL PERSONNEL"</b>	<p>mean in relation to a company, means—</p> <p>(i) the Chief Executive officer or the managing director or the manager;</p> <p>(ii) the company secretary;</p> <p>(iii) the whole-time director;</p> <p>(iv) the Chief Financial Officer; and</p> <p>(v) such other officer as may be prescribed;</p>
<b>o.</b>	<b>"BOARD OF DIRECTORS" OR "BOARD"</b>	in relation to a company, means the collective body of the directors of the company;
<b>p.</b>	<b>"AUDIT COMMITTEE"</b>	mean Audit Committee constitute by the Board of Directors of The Company in accordance with the

**SANTARAM SPINNERS LIMITED:  
POLICY ON RELATED PARTY TRANSECTION**

		Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement;
<b>q.</b>	<b>“MANAGING DIRECTOR”</b>	means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.
<b>r.</b>	<b>“WHOLE-TIME DIRECTOR”</b>	includes a director in the whole-time employment of the company;
<b>s.</b>	<b>“MANAGER”</b>	means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not;
<b>t.</b>	<b>“CHIEF EXECUTIVE OFFICER”</b>	means an officer of a company, who has been designated as such by it;
<b>u.</b>	<b>“CHIEF FINANCIAL OFFICER”</b>	means a person appointed as the Chief Financial Officer of a company;
<b>v.</b>	<b>“COMPANY SECRETARY” OR “SECRETARY”</b>	means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 who is appointed by a company to perform the functions of a company secretary under this Act;
<b>w.</b>	<b>“SPECIAL RESOLUTION”</b>	A resolution shall be a special resolution when— <ul style="list-style-type: none"> <li>a. the intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;</li> <li>b. the notice required under the Act has been duly given; and;</li> <li>c. the votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal</li> </ul>

**SANTARAM SPINNERS LIMITED:  
POLICY ON RELATED PARTY TRANSECTION**

		ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.
<b>x.</b>	<b>"SUBSIDIARY COMPANY" OR "SUBSIDIARY"</b>	<p>in relation to any other company (that is to say the holding company), means a company in which the holding company—</p> <ol style="list-style-type: none"> <li>i. controls the composition of the Board of Directors; or</li> <li>ii. exercises or controls more than one-half of the total share capital either on its own or together with one or more of its subsidiary companies</li> </ol> <p>A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company. The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors.</p>
<p><b>NOTE:</b> Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and/or Listing Agreement.</p>		

**MATERIALITY THRESHOLDS:**

Clause 49 of the Listing Agreement requires a Company to provide materiality thresholds for transactions beyond which the share holders' approval will be required by way of special resolution. SSL has fixed its materiality threshold at 10% of annual Consolidated turnover of the Company for the purpose of Clause 49(VII)(C) of the Listing Agreement.

**MANNER OF DEALING WITH RELATED PARTYTRANSECTION:**

**a. Identification of Related Parties:**

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act

## SANTARAM SPINNERS LIMITED: POLICY ON RELATED PARTY TRANSACTION

read with the Rules framed there under and Clause 49 of the Listing Agreement.

### **b. Identification of Related Party Transaction**

The Company has formulated guidelines for identification related party transaction in accordance with section 188 of the Act and Clause 49 of the Listing Agreement. The Company has also formulated guidelines for determining whether the transaction is in ordinary course of business and at Arm's Length Price basis and for this purpose , the Company may seek External Professional opinion, if necessary.

### **c. Procedure for Approval of Related Party Transaction**

#### **➤ Approval of the Audit Committee:**

All the related party transaction requires prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of the repetitive transactions;
- The Audit Committee Shall satisfy itself the need for such omnibus approval and that such approval in interest of the Company;
- The Omnibus approval shall provide detail of :
  - i. The names/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered to,
  - ii. The indicative base price/current contracted price and the formula for variation in the price if any and
  - iii. Such other condition as the audit Committee may deem fit.

## SANTARAM SPINNERS LIMITED: POLICY ON RELATED PARTY TRANSACTION

However , in case of related party transaction which cannot be foreseen and where the above detail are not available, audit committee may grant omnibus approval provided the value does not exceed Rs 1 Crore per transaction;

- The audit Committee shall review, at least on a quarterly basis, the details of related party transaction entered into by the Company Pursuant to each of the Omnibus approval given;
  
- Such omnibus approval shall be valid for 1 Year.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee / Board may review the following documents/seek inter alia 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:

- Nature of the transaction i.e. details of goods or property to be acquired/transaction or service to be rendered /availed-including description of function to be performed , risk to be assumed and asset to be employed under the proposed transaction;
- Key terms (Such as price and other Commercial Compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key terms (non-Commercial) as per the draft of Proposed agreement/Contract to be entered into for such transaction
- Special terms Covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - Market analysis, research report, industry trend, business strategies, financial forecast, etc.;

## SANTARAM SPINNERS LIMITED: POLICY ON RELATED PARTY TRANSECTION

- Third party comparables, valuation report, price publications including stock exchange and commodity market quotations;
- Management assessment of pricing terms and business justification for the proposed transaction;
- Comparative analysis, if any, of other such transaction entered in to by Company.

While Clause 49 (VII)(E) provides that the requirement for seeking Audit Committee shall not applicable to transaction between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company, there is no such exemption currently provided under the Act,

### ➤ **Approval of Board Of Directors Of the Company**

As per the provisions of section 188 of the Act, all kinds of transaction specified under the said sectioned which are not in ordinary course of business or not at arm's length basis, are placed before the board for its approval.

In addition to above, the following kind of transaction with related parties are also placed before the Board for its Approval:

- Transactions which may be in ordinary course of business and at arm's length basis, but which are as per policy determined by the Board from time to time(i.e. Value threshold and/or other parameters) require Board Approval in addition to Audit Committee Approval;
- Transaction in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and at arm's length basis and decide to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in audit committee's view requires board approval.
- Transaction meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for Approval.



**SANTARAM SPINNERS LIMITED:  
POLICY ON RELATED PARTY TRANSECTION**

➤ **Approval of the Share Holders of the Company**

All the transaction with related party meeting the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for Approval.

For this purpose, all entities falling under 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 transaction between the Company and its wholly owned subsidiary/ies whose accounts are Consolidated with the Company.

In addition to the above, all kinds of transaction specified under section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Boards And its Powers) Rules, 2014 are placed before the shareholders for its approval.

**7) 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 arm's length basis along with the justification for entering into such transaction.

In addition to above, the Company shall also provide details of all related party transactions meeting the materiality thresholds (laid down in Clause 5 of the policy above) on a quarterly basis to the stock exchanges.

**8) RELATED PARY TRANSECTION 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

**SANTARAM SPINNERS LIMITED:  
POLICY ON RELATED PARTY TRANSECTION**

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 option 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 internal control system, and shall take any such action it deems appropriate.

I any case were the audit committee determine not to ratify a related party transaction that has been commenced without approval, the audit committee, as appropriate, ma direct additional actions including, but not limited to, discontinuation 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.

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