

DEEPAK SPINNERS LIMITED

Regd. Office : 121, Industrial Area, Baddi, Tehsil Nalagarh, Distt Solan, Himachal Pradesh 173 205.

POLICY ON RELATED PARTY TRANSACTIONS

(Effective from 1st October 2014)

1. INTRODUCTION

Deepak Spinners Limited ('The Company') is committed to best corporate governance practices . This policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors on 13.11.2014, upon the recommendations of the Audit Committee in order to set forth the materiality threshold and the manner of dealing with Related Party Transactions, to ensure compliance with requirements of the Companies Act, 2013 and Clause 49 of the Listing Agreement with the Stock Exchanges.

This policy was revised by the Board of Directors at its meeting held on 16th May 2019 on the recommendations of the Audit Committee for ensuring compliance with the provisions of the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations' .

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions.

2. OBJECTIVE

The objective of this policy is to set out – a) the materiality thresholds for related party transactions and b) to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the Companies Act, 2013 and Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

1. **'ARM'S LENGTH TRANSACTION'** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
2. **'ACT'** means the Companies Act, 2013 and the rules and regulations notified thereunder.
3. **'Company'** means Deepak Spinners Limited.
4. **Key Managerial Personnel (KMP)** - means "Key managerial personnel" as defined under Section 2(51) the Companies Act, 2013
5. **'LISTING REGULATIONS'** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
6. **'POLICY'** means Related Party Transaction Policy.
7. **'RELATED PARTY'** means related party as defined under Section 2(76) of the Companies Act, 2013 or under the the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of the shareholding in the Company shall be deemed to be a related party.

'Promoter' and 'Promoter Group' shall have meaning as assigned to them respectively in clauses (oo) and

(pp) of Regulation 2(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

8. 'RELATIVE' - means a relative as defined in Section 2(77) of the Companies Act, 2013 and rules prescribed there under.

9. "RELATED PARTY TRANSACTION" means –

- a) For the purpose of the Act, specified transaction of the Company with Related Parties mentioned in clause (a) to (g) of Section 188(1) and Section 177(4)(iv) of the Act ; and
- b) For the purpose of Listing Regulations, as mentioned in Regulation 2(1)(zc)- a transfer of resources, services or obligations between a Company and a related party regardless of whether a price is charged and a 'transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.

The terms **Director, Managing Director, Chief Financial Officer and Company Secretary** shall have the same meaning as assigned under the Companies Act, 2013.

4. MATERIALITY THRESHOLDS

4.1 As per Listing Regulations

In accordance with Regulation 23 of Listing Regulations, the Company has formulated this Policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits, duly approved by the Board of Directors.

Regulation 23 of Listing Regulations, requires a company to provide materiality thresholds for transaction beyond which approval of the shareholders through ordinary resolution will be required. None of the related parties of a Company shall vote to approve such resolution irrespective of whether the entity is a related party to the transaction or not.

For the purpose of Regulation 23 of the Listing Regulations, a transaction with a related party shall be considered material –

- a) If the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- b) If the payment made to a related party with respect to brand usage or royalty, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 2% of annual consolidated turnover of the Company as per the last audited financial statement.

4.2 As per Companies Act, 2013

As per Section 188 of the Companies Act, 2013 the following transactions shall be considered material and shall require approval of the shareholders by ordinary resolution and no member of the Company shall vote on such resolution, if he is party to the transaction under consideration–

Sr. No.	Transaction or Contract or Arrangement	*Limits for the time being in force [as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014]
1.	Sale, purchases or supply of any goods or materials, directly or through appointment of agent	Lower amongst the following – (i) exceeding 10% of the turnover of company; or (ii) Rs. 100 crores For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
2.	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Lower amongst the following – (i) exceeding 10% of the net worth of the company; or (ii) Rs. 100 crores For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
3.	Leasing of property of any kind	Lower amongst the following – (i) exceeding 10% of the net worth of the company; or or (ii) 10% of the turnover of the company; or (iii) Rs. 100 crores For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
4.	Availing or rendering of any services, directly or through appointment of agent	Lower amongst the following – (i) exceeding 10% of the turnover of the company; or (ii) Rs. 50 crores For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
5.	For appointment to any office or place of profit in the company, its subsidiary company or associate company	Where monthly remuneration exceeds Rs. 2,50,000/-
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	For amount exceeding 1% of Net Worth of the company.
<p>*shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 by the Central Government.</p> <p>Annual turnover and net worth referred above shall be computed as per audited financial statements for the preceding financial year.</p>		

5..MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

5.1 IDENTIFICATION OF RELATED PARTIES

- a) Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis:
 - 1. Names of his / her Relatives;
 - 2. Partnership firms in which he / she or his / her Relative is a partner;
 - 3. Private Companies in which he / she is a member or Director;
 - 4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
 - 5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
 - 6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).
- b) Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.
- c) The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties.

5.2 IDENTIFICATION OF RELATED PARTY TRANSACTIONS

- a) Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any **potential Related Party Transaction**, involving him/her or his/her relative. They will also be responsible for providing additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- b) The Company Secretary, in consultation with Chief Financial Officer will determine whether the transaction is at arm's length and in the ordinary course of business.
- c) The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

5.3 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

5.3.1 Approval of the Audit Committee

All Related Party Transactions shall be subject to the prior approval of the Audit Committee.

5.3.2 Consideration by the Committee in approving the Proposed Transactions

Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

5.3.3 Determining whether a transaction is in the ordinary course of business operations

- a) Related Party Transactions that are part of regular operative activities, and connected financial activities, of any organization in similar business and size shall be considered to be in the ordinary course of business operations.
- b) Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:
 - ❖ **Nature:** Whether the scope of the transaction is generally consistent with the Company's business activities and whether the Company enters into, or can enter into, similar transactions with a third party.
 - ❖ **Frequency:** Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations.
 - ❖ **Size of transaction:** Whether the transaction value is within the reasonable range for similar types of other transactions. An exceptionally large value transaction should invite closer scrutiny.

These are not exhaustive criteria and the Company will assess each transaction considering its specific nature and circumstances.

5.3.4 Determining whether a transaction is at arm's length

As per section 188 (1) of the Act, the expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

In addition to evaluating whether the transaction results in a conflict of interest on the basis of the transfer pricing report or any other document determining the market value of the consideration of the transaction, the Company should also consider the additional tests such as those listed below:

- whether the transaction is commercially negotiated;
- whether the transaction is necessary for business opportunities for growing new or existing markets; and
- any other matters the Company considers relevant.

5.3.5 Standing Pre-Approval / Omnibus Approval by the Committee

In the case of regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The Audit Committee may grant omnibus approval for Related Party Transactions subject to the following conditions –

- i) The Audit Committee subject to approval of the Board of Directors, shall lay down the criteria for granting the omnibus approval in line with the instant policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- ii) It shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- iii) Such omnibus approval shall specify –
 - (a) Name of the related party
 - (b) Nature of the transaction
 - (c) Period of the transaction
 - (d) Maximum amount of the transactions that can be entered into
 - (e) Indicative base price / current contracted price and formula for variation in price, if any
 - (f) Such other conditions as the Audit Committee may deem fit.
- iv) The Audit Committee shall review atleast on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- v) The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification.

5.3.6 Approval by the Board

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

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval –

- a) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval.
- b) Transactions, which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval.
- c) Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

5.3.7 Approval of the Shareholders of the Company

- a) All Material Related Party Transactions as per clause 4 of this policy shall require approval of the shareholders and all entities falling under the definition of related parties shall abstain to vote to approve such resolution irrespective of whether the entity is a party to the particular transaction or not.
- b) In addition, all kinds of transactions specified under Section 188 of the Act which-
 - are not at arm's length or not in the ordinary course of business and
 - exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for their approval.

6. DISCLOSURES

- a) The Company shall place this policy of the website of the Company.
- b) The Company shall disclose in the Board's report, transactions, prescribed in Section 188(1) of the Act as per the requirements of the rules applicable thereto.
- c) The Company shall submit within 30 days from the date of publication of the standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis in the format specified in the relevant accounting standards for annual results to the stock exchange and publish the same on its website.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a 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 or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this Policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after the Company becomes aware of such transaction.

8. REVIEW OF THE POLICY

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly based on the recommendations of the Audit Committee.

9. SCOPE LIMITATION

In the event of any conflict between the provisions of this policy and of the applicable law, provisions of such applicable law shall prevail.

**_*_*_