

**LOYAL TEXTILE MILLS LIMITED**

**Policy on Related Party Transaction**

## **RELATED PARTY TRANSACTION POLICY**

### **1. PREFACE**

1.1 Section 188 of the newly enacted The Companies Act 2013 dealing with Related Party transactions (RPT) has become operational from 1st April 2014.

Clause 49 VII (C) of the Listing Agreement as applicable from 1st October 2014 provides that a listed Company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

1.2 Company understands the importance of stakeholder's confidence and trust in the Company. In order to preserve it with transparency and to ensure that there is no conflict of interest causing any apprehension in the minds of its stakeholders, the Board of Directors of the Company, acting upon the recommendations of its Audit Committee ("the Committee"), has proposed to adopt a policy and procedures with respect to Related Party Transactions ("**Related Party Policy**") of the Company.

1.3 The Related Party Policy will be placed on the Company's website at [www.loyaltextiles.com](http://www.loyaltextiles.com)

### **2. PRIMARY OBJECTIVE**

The primary objective of the policy is not only to be in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act and other applicable laws of the country. Further, as per the amended Clause 49(VII) (C) of the Listing Agreement, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transaction. This policy lays down the mechanism to deal with Related Party Transactions.

### **3. DEFINITIONS**

For the purpose of this policy:

3.1 "**Act**" means the Companies Act 2013.

3.2 "**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.

3.3. "**Listing Agreement**" means the Equity Listing Agreement entered into by the Company with the Stock Exchanges in which the company's shares are listed.

3.4. "**Material Related Party Transactions**" would mean contracts or arrangements as prescribed under Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014 and transactions as defined under the proviso to Clause 49(VII)(C) of the Listing Agreement requiring shareholder's approval.

3.5. "**Related Party**" is a party as defined in section 2(76) of the Act or a related party as per Accounting Standards or Clause 49 of the Listing Agreement.

3.6. "**Related Party Transaction**" or "**RPT**" means transactions as given under clause (a) to (g) of Section 188(1) of the Companies Act 2013 and also as defined in Clause 49(VII) (A) of the Listing

Agreement. These include sale, purchase, leasing or supply of goods or property, availing / rendering of any services, appointment of agents for any of the above and underwriting of securities.

#### **4. APPROVAL OF RPT BY AUDIT COMMITTEE**

4.1. All RPTs shall require prior approval of Audit Committee of the Company irrespective of its materiality. The Audit Committee shall also approve any subsequent modification of RPTs.

4.2. The Audit Committee shall consider the following before approving a RTP:

4.2.1 Nature of relationship with related party;

4.2.2 Nature, material terms, monetary values and particulars of the contract or arrangement;

4.2.3 Method and manner of determining the pricing and other commercial terms;

4.2.4 Whether the transaction is at arm's length; and

4.2.5 Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

4.3. The Audit Committee can grant omnibus approval for RPTs proposed to be entered into by the Company, subject to the following conditions:

a. Transactions are repetitive in nature or at regular intervals

b. Transactions are in arms length basis and are in the ordinary course of business.

c. Transactions are in the best interest of the Company.

d. Details of related parties, nature of transactions, period of transaction and the maximum amount of transactions are to be specified.

e. The indicative base price/current contracted price and the formula for variation in price, if any, are specified.

f. The aggregate transaction value per annum is not more than Rs.3000 lakhs in cases where the need for the related party transactions cannot be foreseen and the above details are not available.

g. The omnibus approval period is not more than one year.

h. Details of RPTs are capable of being reviewed on quarterly basis.

#### **5. APPROVAL OF RPT BY BOARD**

The Board will approve all RPTs which are not at arm's length and / or which are not in the ordinary course of business, but are within the threshold limits specified in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules 2014.

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

- i. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the 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;

- ii. 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;
- iii. 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.
- iv. Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

## **6. APPROVAL OF RPTS BY MEMBERS**

All Material Transactions falling within the scope of Section 188 (1) of the Companies Act 2013 and the values of which are in excess of the threshold limits specified in Rule 15(3), would require approval of the shareholders, based on recommendation of the Board, through special resolution passed at the general meeting. None of the parties concerned or having interest in the transaction, directly or indirectly, should vote on the resolution relating such transaction.

## **7. DISCLOSURE BY INTERESTED DIRECTORS / KMPS**

7.1 Every Director and Key Managerial Personnel of the Company shall disclose his concern or interest in any company or companies or bodies corporate (including shareholding interest), firms or other association of individuals, by giving a notice in writing in the prescribed form.

7.2 Every director and Key Managerial Personnel of the company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement being discussed at the meeting of the Board, such director shall disclose his concern or interest at the meeting of the Board in which such contract or arrangement is discussed and shall not participate in such meeting.

## **8. OTHER DISCLOSURES**

Appropriate disclosures as required under the Act and the Listing Agreement will be made in the Annual Return, Board's Report and to the Stock Exchanges

## **9. RELATED PARTY TRANSACTIONS 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 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 options 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 the internal control systems, and shall take any such action it deems appropriate. In any case, where

the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee

#### **10. REVIEW OF THE POLICY**

The Related Party Policy will be reviewed as and when necessary in tune with the regulatory requirements.