



KANDAGIRI SPINNING MILLS LIMITED

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RELATED PARTY TRANSACTION POLICY

1. PREAMBLE

The Board of Directors (“the Board”) of Kandagiri Spinning Mills Limited (“the Company”) based on recommendations of the Audit Committee has formulated a Policy on Related Party Transactions (“the Policy”) to regulate the transaction between the company & one or more related party in compliance with the requirements of Clause 49 of the Equity Listing Agreement with the Stock Exchange and Section 188 of the Companies Act, 2013 and the Rules framed there under. The said Policy includes materiality thresholds and the manner of dealing with Related Party Transactions.

Based upon the recommendation of the Audit Committee, the policy shall be amended/ reviewed by the Board from time to time.

2. OBJECTIVE

The objective of the policy is 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 applicable laws and regulations as may be amended from time to time.

3. DEFINITIONS

“**Arm’s length basis**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**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 the Companies Act, 2013.

“**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.

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“**Related Party Transaction (RPT)**” 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.

4. POLICY

All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

4.1. IDENTIFICATION OF RELATED PARTIES

Every Director and Key Managerial Personnel is responsible for providing notice to the Audit Committee/Board of any potential RPTs involving him or her or his or her Relative, including any additional information about the Transaction that the Board/Audit committee may reasonably request. The Board/Audit Committee will determine whether the Transaction does in fact, constitute a Related Party Transaction requiring compliance with the Policy.

4.2. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions require prior approval of the Audit Committee. Every Related Party Transaction will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

To review a Related Party Transaction, the Audit Committee will be provided with the necessary information with the extent relevant, with respect to actual or potential Related Party Transaction and/or prescribed under Companies Act, 2013 and the rules framed thereunder and the Listing Agreement.

4.3. APPROVAL BY THE BOARD

Related Party Transactions specified under section 188(1) of the Companies Act, 2013 are placed before the Board for its approval. In addition to it , if the Audit 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 Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board’s review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

4.4. OMNIBUS APPROVAL BY THE AUDIT COMMITTEE

In the case of frequent / 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.

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The omnibus approval shall specify the following:

- 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.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

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. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

4.5. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

4.6. TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

5. DISCLOSURES:

This policy shall be displayed on the web site of the Company and a web link of it shall be mentioned in the Annual Report. 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, should be disclosed in the Board's Report along with the justification for entering into such transaction.

6. AMENDMENTS IN LAW

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

Date : 6th February, 2015
Place : Salem

By order of the Board
Kandagiri Spinning Mills Limited

