



RELATED PARTY TRANSACTION POLICY

1. INTRODUCTION AND APPLICABILITY

Pursuant to the provisions of sub clause (C) of clause VII of revised Clause 49 of the Equity Listing Agreement by the Securities Exchange Board of India (SEBI) vide CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 effective from October 1, 2014 and further amended vide CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014, which is as under

“The company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

Provided that a transaction with related party shall be considered material if the transaction / transaction 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.”

Sub clause (A) of clause VII of revised Clause 49 defines the **related party transaction** as under:

“A related party transaction is a transfer of resources, service or obligations between a company and a related party, regardless of whether a price is charged.”

Explanation: A “transaction” with a related party shall be constructed to include single transaction or a group of transactions in contract.”

While Section 188 of the Companies Act, 2013 includes the transactions as Related Party Transactions (RTPs), which are as under:

- (a) sale, purchase or supply of any good or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party’s appointment to any office or place or profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company

It may be observed that the term Related Party Transaction is wider under Listing Agreement and it requires that all RTPs shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to certain condition and there is no such requirement under Companies Act, 2013 and rules made thereunder.

Further in compliance with the requirements revised clause 49 of the listing agreement entered into by the Company with Stock Exchange and any subsequent amendments thereto, in order to ensure proper regulation, the transparency, procedural fairness and proper disclosure of such transactions. The Board of Directors (the “Board”) of **GINNI FILAMENTS LIMITED** (hereinafter referred to as “Company”), adopts the below policy and procedures with regard to Related Party Transactions (RPT) with the objective to adopt the best practices on corporate governance and make the corporate governance framework more effective.

This Policy will be applicable to the Company with effect from October 1, 2014 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

2. POLICY

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

- All Related Party Transactions shall require prior approval of Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:



- a. *The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.*
 - b. *The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;*
 - c. *Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;*

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
 - d. *Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.*
 - e. *Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.*
- All Material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.



3. DEFINITIONS

“**Act**” means the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

“**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. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“**Associate Company**” means any other company, in which the Company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

“**Audit Committee**” means Audit Committee of the Board of Directors of the Company.

“**Board**” means Board of Directors of the Company.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and rules made thereunder.

“**Related Party**” means related party as defined in Clause 49 of the Listing Agreement which is as under:

An entity shall be considered as related to the company if:

- (i) such entity is a related party under section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

Related party under section 2(76) of the Companies Act, 2013 and rules made thereunder are as follows-

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) anybody corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in (vi) and (vii) above shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is –
 - (a) a holding, subsidiary or an associate company of such company; or
 - (b) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) Director or Key Managerial Personnel of the holding company or his relative; or
- (x) such other persons as may be prescribed by Central Government .

“**Relative**” means relative as defined as under section 2(77) of the Companies Act, 2013:

Relative with reference to any person, means any one who is related to another, if -

- (i) they are members of a Hindu undivided family;
- (ii) they are husband and wife ; or
- (iii) one person is related to the other in such manner as :
 - Father (including step-father)
 - Mother (including step-mother)
 - Son (including step-son)
 - Son’s wife
 - Daughter



- Daughter's husband
- Brother (including step-brother)
- Sister (including step-sister)

4. PROCEDURE

- a. **Disclosure of Interest by Directors:** Every director shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide all other information which may be regarded as related party under this policy.
- b. **Identification of Transaction with related Parties:** Based on such disclosures the potential related party transaction shall be identified and each Director and Key Managerial Personnel is also responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. The Directors and KMPs will ensure that their notice on any potential Related Party Transactions is delivered in advance it can be identified and Audit Committee has adequate time to obtain further information about the proposed related party transaction.
- c. **Review and approval of Related Party Transaction by Audit Committee:** To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions under the Listing Agreement with the Stock Exchanges. In identification of related party transaction all the applicable laws for the time being in force shall be considered and every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arm's Length basis, subject to compliance of the conditions contained in clause 49 of the listing agreement.

The Audit Committee shall recommend the Related Party Transaction for the approval of the Board, if required in the opinion of the Audit Committee such related party transaction is a Material Related party Transaction or Transaction is not the ordinary in the ordinary course of business or not at the arm's length basis.

Any member of the Committee who has any interest in any Related Party Transaction shall abstain himself from discussion and voting on the approval of the Related Party Transaction.

- d. **Approval of Related Party Transaction by Board of Directors:** Where approval of Board of Directors is required for any Related Party Transaction, in accordance with requirement of law or on the recommendation of Audit Committee. The Board shall consider and approve the Related Party Transaction 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.

Any member of the Board who has any interest in any Related Party Transaction shall abstain himself from discussion and voting on the approval of the Related Party Transaction.

- e. **Approval of Related Party Transaction by Shareholders:** Any Material Related Party Transaction which requires approval of the shareholders under this policy or under requirement of the provisions of the Companies Act, 2013 and rules made thereunder shall be placed before the shareholders for their approval and explanatory statement annexed to the notice to shareholders shall contain all required information as prescribed under the Act.

Any shareholder who is a related party shall not vote on resolution for approving such Related Party Transaction.

5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In a case where any Related Party Transaction is entered into by the Company without having approval under this Policy, the same 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.

In connection with any review of a Related Party Transaction, the Audit Committee has full authority to modify or waive any procedural requirements of this Policy.

6. DISCLOSURES

- ✓ Every Related Party Transaction entered into shall be referred to in the Boards' Report to the shareholders along with the justification for entering into such transaction.
- ✓ Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance.
- ✓ The company shall disclose the policy on dealing with Related Party Transactions on its website and web link shall be provided in the Annual Report.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

7. AMENDMENT

Any subsequent amendment/modification in the Companies Act, 2013 and rules made thereunder, listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.

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