

THE INDIAN CARD CLOTHING COMPANY LIMITED

(CIN : L29261PN1955PLC009579)

POLICY ON RELATED PARTY TRANSACTIONS

1) PREAMBLE

This policy is framed as per requirement of Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with the related parties.

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 including material transactions.

2) SCOPE AND OBJECTIVE OF THE POLICY

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed thereunder and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), The Indian Card Clothing Company Limited (“ICC” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

3) DEFINITIONS

- a) “Arm’s Length Transaction (‘ALP’)” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- b) “Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.
- c) “Board” means Board of Directors of the Company.
- d) “Key Managerial Personnel”, in relation to a company, means:
 - i) the Chief Executive Officer or the Managing Director or the Manager;
 - ii) the Company Secretary;

- iii) the Whole-time Director;
 - iv) the Chief Financial Officer; and
 - v) such other officer as may be prescribed;
- e) “Related Party”, will have the same meaning as defined under Section 2(76) of the Companies Act, 2013 and / or the Clause 49 of the Listing Agreement.
- f) “Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act and includes anyone who is related to another in any of the following manner –
- i) Members of a Hindu undivided family;
 - ii) Husband or wife;
 - iii) Father (including step-father);
 - iv) Mother (including step-mother);
 - v) Son (including step-son);
 - vi) Son’s wife;
 - vii) Daughter;
 - viii) Daughter’s husband;
 - ix) Brother (including step-brother); or
 - x) Sister (including step-sister).
- g) “Transaction” shall be construed to include single transaction or a group of transactions in a contract;
- h) “Related Party Transaction” means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged.
- i) “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 or such limits as may be prescribed either in the Companies Act, 2013 or the Listing Agreement, whichever is stricter, from time to time.
- j) “Ordinary Course of Business (‘OCB’)” means a transaction which is:
- carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MOA’) of the Company as amended from time to time, or
 - historical practice with a pattern of frequency, or
 - common commercial practice, or
 - meets any other parameters / criteria as decided by the Board/Audit Committee.

4) MATERIALITY CRITERIA

Clause 49 of the Listing Agreement requires a company to provide materiality criteria for transactions beyond which the shareholders’ approval will be required by way of a special resolution. ICC has fixed its materiality threshold at 10% of the annual

consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Clause 49(VII) (C) of the Listing Agreement.

5) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties and related party transactions

- Every Director and Key Managerial Personnel shall at the beginning of the year disclose to the Company list of their relatives and related parties and changes thereto during the financial year.
- Every Director and Key Managerial Personnel shall, as far as practicable, given prior intimation of any of their transactions with the related parties.
- Based on the information available a list of related parties of the Company shall be prepared. Such list shall be reviewed atleast once in a year jointly by the Company Secretary and the Chief Financial Officer.
- After considering the transactions which have already taken place, the transactions which will be necessary for the purpose of operations of the Company and the intimations, if any, received from the directors, the Company Secretary jointly with the Chief Financial Officer shall identify the related party transactions in accordance with Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.
- 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.

b) Review and approval of related party transactions:

❖ Approval of the Audit Committee

- i) All related party transactions require 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 repetitive transactions;
 - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
 - The omnibus approval shall provide details of (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.

- However, in case of related party transactions which cannot be foreseen and where the above details 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 transactions entered into by the company pursuant to each of the omnibus approval given;
 - Such omnibus approval shall be valid for 1 year.
- ii) While assessing a proposal put 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:
- 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;
 - The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction;
 - 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.
 - Nature of the transaction i.e. details of goods or property to be acquired/ transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets 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 covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
 - Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

- market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparable, valuation reports, 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 into by the company.
- iii) In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

❖ Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section 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, transactions meeting the materiality criteria laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval shall also be placed before the Board for its approval.

❖ Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality criteria, laid down in Clause 4 of the Policy, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Shareholders' approval shall not be sought from the general body for transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business nor at arm's length; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

6) DISCLOSURES

- a) 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.
- b) The Company shall provide details of all related party transactions meeting the materiality criteria (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges alongwith the compliance report on Corporate Governance.
- c) This Policy on Related Party Transactions shall be disclosed on the website of the Company and also in the Annual Report of the Company.

7) RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

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.

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.
