

THE INDIAN CARD CLOTHING COMPANY LIMITED

(CIN : L29261PN1955PLC009579)

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS (RPT) AND DEALING WITH RPTS

1) PREAMBLE

This policy is framed as per requirement of Section 188 of the Companies Act, 2013 and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") 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 Regulation 23 of SEBI LODR, 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 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 the Board of Directors of the Company constituted under provisions of the Companies Act, 2013 and SEBI LODR.
- 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, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - vi) 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 Regulation 2(1)(zb) of SEBI LODR.
- 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”, will have the same meaning as defined under Section 188 of the Companies Act, 2013 and / or Regulation 2(1)(zc) of SEBI LODR.
- i) “Material Related Party Transaction” means a Related Party Transaction which, individually or taken together with previous transactions during a financial year, exceeds the threshold prescribed under *Schedule XII* of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- Provided that, in case of payments made to a Related Party with respect to brand usage or royalty, the transaction(s), individually or taken together with previous transactions during a financial year, shall be considered a Material Related Party Transaction if such transaction(s) exceed 5% of the annual consolidated turnover of the Company as per its last audited financial statements.
- 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.
- k) “Industry Standards” shall mean the Industry Standards on minimum information to be provided for review of the Audit Committee and shareholders for approval of RPT, including any additions/ modifications/ alterations/amendments made thereto, as notified by SEBI from time to time.

4) MATERIALITY THRESHOLDS

Regulation 23 of the SEBI LODR requires the Company to lay down materiality thresholds for transactions beyond which approval of the shareholders through a resolution shall be required.

Accordingly, the Company has adopted the materiality thresholds prescribed under **Schedule XII of the SEBI LODR**, as amended from time to time.

- a. A Related Party Transaction shall be considered a **Material Related Party Transaction**, if the transaction(s) to be entered into, individually or taken together with previous transactions during a financial year, **exceeds the applicable threshold prescribed under Schedule XII of the SEBI LODR**, based on the annual consolidated turnover of the Company as per its last audited financial statements.
- b. In case of a transaction involving payments made to a Related Party with respect to **brand usage or royalty**, such transaction(s), individually or taken together with previous transactions during a financial year, shall be considered a Material Related Party Transaction if such transaction(s) **exceed 5% of the annual consolidated turnover of the Company** as per its last audited financial statements.

The thresholds specified above shall stand revised automatically in accordance with any amendment, modification or substitution of the applicable provisions of the SEBI LODR.

5) MATERIAL MODIFICATION

Material modification of Related Party Transaction ("RPT") in relation to the Company means any modification, either individually or taken together with any previous modifications, made in the nature, value / exposure, or other terms and conditions of any existing RPT having variance of 25% or more in value of the original transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

6) 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 Regulation 23 of the SEBI LODR.

- 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

- All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Further, any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction.
- Related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
- Related Party Transactions to which a subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company, if the value of such transaction(s), whether entered into individually or taken together with previous transaction(s) during a financial year, exceeds ₹1 crore and also exceeds the **lower of the following thresholds:**

Subsidiary having audited financial statements for at least one year	Subsidiary not having audited financial statements for at least one year
(i) 10% of the annual standalone turnover of the subsidiary as per its last audited financial statements; or (ii) the threshold of Material Related Party Transaction	(i) 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or (ii) the threshold of Material Related Party Transaction, whichever is lower.

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary company shall be taken as on date, not older than three months prior to the date of seeking approval of Audit Committee.

- The Audit Committee approval is not required for the transactions with the wholly owned subsidiaries of the Company and transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.
- All the information, as specified in Industry Standards read with the provisions of Listing Regulations, the Act as well as additional information specified by SEBI from time to time, for review of the Audit Committee while seeking prior approval of the RPTs.
- The Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered by the Company or its subsidiary, 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 and its subsidiary pursuant to each of the omnibus approval given;
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year
- 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.
- All the information, as specified in Industry Standards read with the provisions of Listing Regulations, the Act as well as additional

information specified by SEBI from time to time, for review of the Audit Committee while seeking prior approval of the RPTs.

- 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 thresholds and subsequent material modifications criteria laid down Clause 4 and Clause 5 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 Material Related Party Transaction, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR, are placed before the shareholders 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 or are not at arm's length basis; and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for approval.

- The Company may obtain omnibus approval from the Shareholders for related party transactions proposed to be entered by the Company or its subsidiary. The omnibus approval so granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications, or circulars issued thereunder from time to time. In case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval
- All the information, as specified in Industry Standards read with the provisions of the Listing Regulations, the Act as well as additional information specified by SEBI from time to time, shall be provided in the statement to the notice being sent to shareholders seeking their approval for proposed RPTs, as applicable.

- The requirement for seeking Shareholders' approval shall not be applicable for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

However, the requirements specified mentioned above shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved

7) DISCLOSURES

- 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.
- The Company shall provide details of all related party transactions meeting the materiality criteria (laid down in Clause 4 and Clause 5 of the Policy above) on a quarterly basis to the stock exchanges alongwith the compliance report on Corporate Governance.
- This Policy on Related Party Transactions shall be disclosed on the website of the Company and weblink of the website in the Annual Report of the Company.

With effect from April 1, 2023, Company shall submit to the stock exchanges disclosures of related party transactions every six months on the date of publication of its standalone and consolidated financial results, and publish the same on its website.

8) 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.
