

THE LAKSHMI MILLS COMPANY LIMITED
CIN – L17111TZ1910PLC000093

POLICY ON RELATED PARTY TRANSACTIONS

A. Introduction

It is The Lakshmi Mills Company Limited's (hereinafter referred to as "**the Company**") Policy that related party transactions are conducted at arm's length basis with any such transaction being on no less favourable than terms available to any unconnected third party under the same or similar circumstances.

B. Application of the policy

This Policy applies to the company's Directors and Senior Managers. Related Party Transactions constitute a conflict of interest within the meaning of the company's code of corporate governance. This Policy is not intended to conflict with any applicable laws or regulations and if any such conflict occurs the requirements of the law or regulation shall prevail.

C. Review and Approval procedures

Directors shall disclose to the Board, through the Company Secretary, details of all their relatives, other directorships, firms in which they or their relatives are partners, private companies in which the Director is a member or director, public companies in which the Director is a director or holds along with his relatives more than two percent of its paid-up share capital, any body 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 and any person on whose advice, directions or instructions a director or manager is accustomed to act. The key managerial personnel should disclose their relatives. Any changes in the particulars must be informed promptly to the Board of directors through the Company Secretary.

The Directors and Key Managerial Personnel shall inform immediately the Board through the Company Secretary of any proposed related party transactions as soon as they become aware of it. It is the responsibility of the Director(s) or Key Managerial Personnel who are interested in a proposed Related Party Transaction(s) to inform the Board, through the Company Secretary and obtain approval prior to entering into the transaction. Interested Director(s) / Key Managerial Personnel shall not be present at the meeting during discussions on the subject matter of the resolution(s).

D. Identification of Related Party Transactions

For purposes of this policy

- I. A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- II. A 'related party' is a person or entity that is related to the company.
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:
 1. A person or a close member of that person's family is related to a company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013 or
 - b. has control or joint control or significant influence over the company; or
 - c. is a Key Management Personnel of the company or of a parent of the company; or
 2. An entity is related to a company if any of the following conditions apply:
 - a. The entity is a related party under Section 2(76) of the companies Act, 2013; or
 - b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
 - c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - d. Both entities are joint ventures of the same third party; or
 - e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or

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- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person identified in (1) (b) has significant influence over the entity (or of a parent of the entity).

“Control” as defined under clause 49 of the Listing Agreement includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreement or voting agreements or in any other manner.

“Related Party” is defined under Section 2(76) of the Companies Act 2013 as

- i) a director or his relative
- ii) a key managerial person 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 is a member or director;
- v) a public company in which a director or manager is a director or holds along with his relatives, more than two percent of its paid-up share capital.
- vi) any body 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 nothing vi & vii above shall apply to the advice, directions or instructions given in a professional capacity.
- viii) any company which is an associated company of such company
- ix) a director or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be a relative party.

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual turnover or twenty percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher.

- E.** All Related Party Transactions other than transactions entered into by the company in the ordinary course of business at arm’s length basis shall require prior approval of the Audit committee.
- F.** 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.

G. Disclosures

- 1. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- 2. The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

H. Policy review

The Audit Committee shall review and assess the adequacy of this policy at least annually and recommend for approval by the Board any changes it considers necessary.

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