

THE LAKSHMI MILLS COMPANY LIMITED
CIN – L17111TZ1910PLC000093

POLICY ON RELATED PARTY TRANSACTIONS

Introduction

The Lakshmi Mills Company Limited's (hereinafter referred to as "**the Company**") Policy is 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.

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.

Identification of Related Party

I. 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 read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations; 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 read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations; 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

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- 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
- 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).

II. "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.

III. "Relative" means a relative as defined in Section 2(77) of the Companies Act;

Identification of Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the company and a related party, regardless of whether a price is charged and includes:

- Sale, purchase or supply of any goods or materials;
- Selling or otherwise disposing of, or buying property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and

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➤ Underwriting the subscription of any securities or derivatives thereof, of the Company;

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 the limit prescribed in the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Material Related party Transaction”

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI LODR (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% or more of Turnover or Rs.100 Crores, whichever is lower.	All transactions (individual or together with previous transactions) with one party exceeding 10% of the annual consolidated turnover. With effect from 1 st April, 2022, all transactions (individual or together with previous transactions) with one party exceeding the lower threshold of Rs. 1000 Crore or 10% of the annual consolidated turnover.
Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% or more of Networth or Rs.100 Crores, whichever is lower.	
Leasing of any kind of property	Exceeding 10% or more of Turnover or Rs.100 Crores, whichever is lower.	
Availing or rendering of any services directly or through appointment of agents	Exceeding 10% or more of Turnover or Rs.50 Crores, whichever is lower.	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.2,50,000/-.	
Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	
Transfer of resources, services or obligations.	--	

The Turnover or Net Worth referred in the above table shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

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Review of 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 list of Related Parties shall be updated on the receipt of the general notice of disclosure given by the Directors and the KMPs at the beginning of every financial year and shall be updated on receipt of any intimation of change in interest by the Directors and KMPs from time to time.

The Directors and Key Managerial Personnel shall inform the Board immediately 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).

All Related Party Transactions other than transactions entered into by the company in the ordinary course of business at arm's length basis being material shall require prior approval of the Audit committee and the Board. Any material modification to the existing approval shall require prior approval of Audit Committee.

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.

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.

The officers of the Company, such as Chief Financial Officer and Company Secretary are responsible for maintenance of list of related parties of the Company at all times and a database of all the Related Parties of the Company, containing the names of individuals, firms and Companies, identified on the basis of the definition set forth above and on the basis of the declarations / disclosures given by the Directors and KMPs shall be maintained.

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It shall be the responsibility of the responsible officials of the company to preserve necessary evidences such as copies of contracts, bills, invoices, correspondences, quotations, bids etc., to ensure that the transaction is an arm's length transaction. The officials should also ensure requisite evidence and documentation are made available to the Auditors / Audit Committee, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis and are taking place in the ordinary course of business.

The interested Director shall not be present at the Audit Committee / Board Meeting during the discussions on the Related Party Transaction in which he / she is interested. Also, with effect from 1st January 2022, only Independent Directors who are Members of the Audit Committee can approve the Related Party Transactions.

Functional / Departmental heads shall submit to the CFO the details of proposed transaction with related parties with details / draft contract or other supporting documents to identify whether the transactions are on arms' length basis and is taking place in the ordinary course of business at prevailing market price or otherwise. The CFO shall write to the Company Secretary with such details.

Based on this note, Company Secretary will appropriately take it up for necessary approvals from the Audit Committee / Board of Directors / Shareholders as the case may be and convey back the decision to the originator.

Approval by the Audit Committee / Board of Directors:

To review and approve a Related Party Transaction, the Audit Committee / Board shall be provided with:

- the name of the related party, the interested Director/KMP and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- any other information relevant or important to take a decision on the proposed transaction.

The Audit Committee / Board, before approving such transactions, shall look into the interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits to the Company. In determining whether to approve a Related Party Transaction or not, the Audit Committee / Board may consider the following factors, among others, to the extent relevant to the Related Party Transaction:

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- Whether the terms of the Related Party Transaction are fair and are on arm's length basis to the Company and the terms and conditions of such transaction are similar with that of the transaction with an un-related third party;
- Whether there are any compelling business reasons for the Company to enter into the Transaction with the related party and any other alternative source of supply/service is available;
- Whether the Related Party Transaction would affect the independence of an independent Director;
- Whether the proposed transaction includes any potential reputational risk that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company; and
- any other information relevant or important to take a decision on the proposed transaction.

Approval by the Shareholders:

In compliance with the Section 188 of the Companies Act, 2013, the Board of Directors while seeking approval of the shareholders for the Related Party Transaction(s) shall include the following information in the notice convening the General Meeting:

- name of the Related Party;
- name of the director or Key Managerial Personnel who is related, if any;
- nature of relationship;
- nature, material terms, monetary value and particulars of the contract or arrangement;
- any other information relevant or important for the members to take a decision on the proposed resolution.

Role of Independent Directors

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business, not on arm's length basis and are Material Related Party Transactions and approve such transactions only if they are required in the best interest of the Company.

Omnibus Approval for Routine Related Party Transactions

- i) The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to the following conditions:

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- * The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy.
- * The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- * 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 and for a maximum period of one year.

- ii) 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.
- iii) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Threshold Limits

Pursuant to Regulation 23 of Listing Regulations amended on May 9, 2018, the threshold limits for Related Party Transactions for each financial year, is as under:

A. Criteria

S. No.	Criteria	Amount
1	Maximum value of transaction, in aggregate, for a related party, which can be allowed under the omnibus route in a year.	Aggregate value shall not exceed 10% of the annual consolidated turnover of preceding financial year.
2	Maximum value per transaction which can be allowed under omnibus route. (Subject to overall limit as specified in Point 1)	Rs. One Crore Only.

- B. Maximum value per transaction which exceeds the limit as mentioned in point 2 but within in the limit as mentioned in point 1, then it shall be transacted only with the approval of the Audit Committee and Board of Directors.
- C. Maximum value per transaction which exceeds the limits as mentioned in point 2 and point 1, then it shall be transacted only with the approval of the Audit Committee, Board of Directors and Shareholders.

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Dealing with Unapproved Related Party Transactions

Any related party transaction has taken place without the approval of Audit Committee / Board / Shareholders as the case may be, required under the policy, the Audit Committee shall, before its consummation review the same for approval or otherwise.

The Audit Committee shall consider all of the relevant facts and circumstances relating to the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee.

Where, the Audit Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as it may deem appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

Where any contract or arrangement is entered into by a Director or KMP, without obtaining the approval of the Audit Committee or Board or Shareholders as required above and if it is not ratified by the Board or Shareholders within three months from the date on which such contract or arrangement was entered, shall be dealt with as per Section 188(3) of the Companies Act, 2013.

Reports and Disclosures

- Particulars of Contracts and arrangements with Related Party covered under this policy requiring members' approval shall be appropriately referred to in the Board's Report to the members along with the justification for entering into such contract or arrangement.
- Details of all material transactions with related parties are to be disclosed every quarter along with the compliance report on corporate governance.
- The Company shall disclose this policy relating to Related Party Transactions on its website and Annual Report.
- The Company shall disclose the name of the related party, the nature of relationship, the transaction details and such other details as required under relevant Accounting Standard, in the Annual Report.

Enhanced Disclosures

Enhanced disclosure of information in relation to Related Party Transactions, as notified by the Securities and Exchange Board of India, from time to time, be:

- a) placed before the Audit Committee
- b) provided in the Notice to Shareholders for Material Related Party Transactions and
- c) provided to the Stock Exchanges every six months in the format specified by the Securities and Exchange Board of India within 15 days from the date of publication of financials. With effect

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from 1st April, 2023, be provided in the format as specified by the Securities and Exchange Board of India simultaneously with the financials.

Maintenance of Registers

- * The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, and enter therein the particulars of applicable related party transactions and such register is placed / taken note of before the meeting of the Board of Directors.
- * The Company shall maintain such register at the Registered Office of the Company and provide extracts from such register to a member of the Company on his / her request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company.
- * The register shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.
- * The register shall be preserved permanently and shall be kept in the custody of the Company Secretary / Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

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.

Amendments to the Policy

The Board of Directors amend this policy, as may be required to be in line with the changes, amendments and modifications if any in the Companies Act, Rules, SEBI (LODR) Regulations and the Accounting Standards.

Managing Director of the Company is authorised to make minor modifications to this Policy which will remove ambiguities, enhance clarity on the provisions of the Policy, etc.

In case of any amendment, clarification, circular, notification etc. issued by a competent authority, which is not consistent with the provisions laid down under this Policy, the provisions of such amendment, clarification, circular, notification, etc. shall prevail and this policy shall stand amended accordingly, without any further action, on and from the date on which such amendment, clarification, circular, notification comes in to effect.
