

Regd. Office & Corporate Office : 373, Industrial Area-A, LUDHIANA-141 003 (INDIA)  
Phone : 91-161-2600701 to 705, 2606977 to 980, Fax : 91-161-2222942, 2601956.  
E-mail : secnsm@ownnahar.com Website : www.ownnahar.com  
CIN : L17115PB1980PLC004341 GST No. : 0AAACN5710D1Z6

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND  
DEALING WITH RELATED PARTY TRANSACTIONS**

**OBJECTIVE**

The Board of Directors (the "Board") of Nahar Spinning Mills Limited (the "Company") adopted the policy and procedures with regard to Related Party Transactions (RPTs) in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there under including any subsequent modifications or amendments thereto (the "Act") and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Regulations"), as amended from time to time.

The objective of this policy is to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

This Policy is effective from April 1, 2022 and salient features of the Policy are as under:

**DEFINITIONS**

**"Arm's length transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest

**"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 as under: (i) the Chief Executive Officer or the Managing Director or the Manager; (ii) the Whole-time director; (iii) the Chief Financial Officer; (iv) the Company Secretary; and (v) such other officer as may be prescribed.

**"Related Party Transaction (RPT)"** means a transaction involving a transfer of resources, services or obligations between:

- (i) The Company or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) The Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:



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Provided that the following shall not be a related party transaction:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. sub-division or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

**"Related Party"** means a related party as defined under Section 2(76) of the Companies Act, 2013 or under the applicable Accounting Standards.

Provided that:

- (a) any person or entity forming part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares:

- (i) of 20% or more; or
- (ii) of 10% or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

**"Accounting Standards"** means the accounting standard as defined under Section 2(2) of Companies Act, 2013.

**"Material Related Party Transactions"**- Transaction with a Related Party shall be considered material if transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 Crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

**"Material Modifications"** means and includes any modification to an existing related party transaction having variance of 20% of the existing approved limit.





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**"In the Ordinary Course of Business"** means all such acts and transactions undertaken by the Company,

- a. in the normal routine in managing trade or business,
- b. is permitted by the Memorandum of Association of the Company;
- c. the transaction fall under the purview of the business objectives, operational activities and/or financial activities or;
- d. meets any such other criteria as may be decided by the Board/ Audit Committee

**"Relative"** means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including stepfather);
- d. Mother (including stepmother);
- e. Son (including stepson);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including stepbrother); or
- j. Sister (including stepsister).

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Regulations or any other applicable laws or Regulations to the extent applicable to the Company.

#### **MANNER OF APPROVAL OF RELATED PARTY TRANSACTIONS**

##### **Audit Committee**

1. All RPTs and subsequent material modifications shall require prior approval of the Audit Committee. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions. However, the Audit Committee may grant omnibus approval for RPTs 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 RPTs 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 regarding the need for such omnibus approval and that such approval is in the interest of the company;

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c. Such omnibus approval shall specify:

- i. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 RPT 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. The Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approvals 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.

2. The minimum information as required under the Companies Act, 2013 and SEBI Listing Regulations, 2015 as may be notified from time to time, shall be provided to the Audit Committee for their approval.

3. A RPT entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

#### **Board of Directors**

1. All RPTs, not done in ordinary course of business or at arm's length will require prior approval of the Board of Directors at their meeting.

2. The Board of Directors shall review, approve and recommend to the Shareholders for their approval, all transactions in terms of section 188(1) and material RPTs requiring prior approval of the shareholders.

3. The Board of Directors shall annually review, the details of all RPTs, including the terms of the transaction, the business purpose of the transaction and the benefits to the Company and to the relevant Related Party.

4. The minimum information as required under the Companies Act, 2013 and Regulations as may be notified from time to time, shall be provided to the Board for their approval.

#### **Approval of shareholders**





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1. The contracts or agreements with any Related Party which are not in the ordinary course of business and not at arm's length in respect of transactions specified in Section 188(1) of the Companies Act, 2013, will require prior approval of the shareholders subject to limits mentioned in Rule 15(3) of the Companies (Meetings of Boards and its Powers) Rules, 2014.

2 All material RPTs and subsequent material modifications, in terms of Regulation 23 of the Regulations shall require prior approval of shareholders through resolution. No related party shall vote to approve such resolutions whether the related party is a party to the particular transaction or not.

Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, 2015 from time to time shall be provided in the Notice to the shareholders for consideration of RPTs.

This policy shall be applicable to all prospective transactions. All existing material related party contracts or arrangements entered into prior to 1<sup>st</sup> April, 2022 and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting held after 1<sup>st</sup> April, 2022.

#### **IDENTIFICATION OF POTENTIAL RPT**

Each Director and Key Managerial Personnel is responsible for providing notice to the Company Secretary of any potential RPT involving him or her or his relative, including any additional information about the transaction that the Company Secretary may reasonably request. The Chief Financial Officer as per existent laws, will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy.

All directors are required to declare and disclose their concerns or interests in any company or companies or body corporate or firms at the first Board Meeting in every financial year and subsequently whenever there is change in disclosures. In addition, the Directors shall ensure that any business transactions entered into between the Company and themselves comply with the terms of this Policy.

The Company prefers to receive such notice of any potential RPT well in advance so that the Audit Committee / Board has adequate and reasonable time to review information about the proposed transaction. Any subsequent material modification of transactions of the Company with related parties will also require approval of Audit Committee.

#### **DISCLOSURE OF RPTs**

i. Every RPT entered into shall be disclosed in the Board's report to the shareholders.



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- ii. This Policy shall be uploaded on Company's website and a web link thereto shall be provided in the Annual Report.
- iii. The Company shall submit within stipulated time, disclosures of related party transactions on a consolidated basis, in the specified format, to the stock exchanges and publish the same on its website.
- iv. Quarterly/periodic update to the Audit Committee/Board on all the related party transactions entered into by the Company.

#### **RPT NOT APPROVED UNDER THE POLICY**

Where the Company becomes aware of a RPT that has not been approved under this Policy prior to its implementation, the matter shall be reviewed by the Audit Committee. In such circumstance, the Committee shall evaluate all options available to the Company, including ratification, revision or termination of the RPT as per the applicable provisions. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy, and shall take any such action, as it may deem fit and appropriate in the best interest of the Company.

In case where the Committee does not deem it fit to ratify a RPT that has commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction, as it may deem fit and appropriate in the best interest of the Company. The Committee shall also have the authority to modify or waive any procedural requirements of the RPT to suit the *modus operandi* of this Policy.

#### **REVIEW**

The Board shall, review this Policy as may be deemed necessary and in accordance with any regulatory amendments.

#### **AMENDMENTS**

In any circumstance where the terms of this policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over the policy until such time as this policy is amended to conform to the law, rule, regulation or standard.

