



HISAR SPINNING MILLS LIMITED

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August 01, 2015

To,
The Corporate Relations Department
The BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai -400001

Sub: Compliance of Clause 49 VII – Related Party Transactions of the Listing Agreement.

Dear Sirs,

We would like to inform you that the Company has adopted Related Party Transactions in compliance with clause 49 VII of the listing agreement.

Copy of the aforementioned code is attached. Kindly take the same on record and acknowledge the receipt.

Thanking you,

Yours faithfully,



For Hisar Spinning Mills Limited

Managing Director

Encl.: As above

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

TITLE

This policy shall be called "Policy on materiality of Related Party Transactions and dealing with Related Party Transactions."

APPLICABILITY AND EFFECTIVE DATE

This policy will be applicable to the Company with effect from 1st day of October, 2014 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

OBJECTIVE

Related Party Transactions have been one of the major areas of focus for the corporate governs reforms being initiated by Indian legislature.

The changes introduced in the Corporate Governance norms through the Companies Act, 2013 and the revised Clause 49 of the Listing Agreement require the company to have enhanced transparency and due process for approval of the Related Party Transactions.

One such requirement is that the companies are required to formulate a policy on materiality of Related Party Transactions.

DEFINITIONS

"**Audit Committee or Committee**" means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

"**Board**" means Board of Directors of the Company.

"**Key Managerial Personnel**" means key managerial personnel as defined under the Companies Act, 2013 and includes

- i) Managing Director, or Chief executive Officer or Manager and in their absence, a whole-time director;
- ii) Company Secretary; and
- iii) Chief Financial Officer

"**Policy**" means Related Party Transaction Policy.

"**Related Party**" means related party as defined in Clause 49 of the Listing Agreement which is as follows:



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 which are as follows:

- i) a director or his relative;
- ii) a key managerial personnel 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 under whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directors or instructions given in a professional capacity;

viii) any company which is-

- a) a holding, subsidiary or an associate company of such company; or
- b) a subsidiary of a holding company to which it is also a subsidiary

ix) director or key managerial personnel of the holding company or his relative with reference to a company; 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 applies:

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



PROVISIONS AS TO RELATED PARTY TRANSACTIONS IN THE COMPANIES ACT, 2013 AND LISTING AGREEMENT

1. Under the Companies Act, 2013 the related party transactions are governed by Section 188 of the Companies Act, 2013 which covers only following transactions of commercial nature:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

2. The transactions of financial nature like giving of loan, guarantee and providing security to "any person in whom any director is interested" are governed by Section 185 of the Companies Act, 2013 which prohibits such transactions, whereas inter corporate loans, investment and guarantee, with or without related parties, are governed by Section 186 of the Companies Act, 2013.

3. Clause 49 VII B of the Listing Agreement has much wider scope and meaning, covering all related party transactions whether commercial or financial in nature as mentioned above. Moreover, it provides different regulatory provisions for related party transactions and Material related party transactions. It requires all related party transactions to be executed with prior approval of the Audit Committee and all Material related party transactions to be executed with the prior approval of Audit Committee and approval of shareholder by special resolution where the related parties shall abstain from voting thereon.

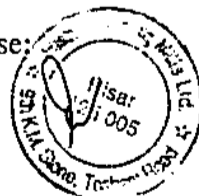
4. This policy is formulated for all related party transactions considering provisions of the Companies Act, 2013 as well as Clause 49 VII of the listing agreement.

APPROVALS, DISCLOSURES AND RELATED PROVISIONS:

No Related Party Transaction shall be entered in to by the Company without complying with the following provisions:

- 1. The Company shall obtain prior approval of the Audit Committee.
- 2. The Company shall also obtain consent of the Board of Directors given by a resolution at a meeting of the Board.

i) The agenda item of the Board meeting shall disclose:



- (a) the name of the related party and nature of relationship
- (b) the nature, duration of the contract and particulars of the contract or arrangement
- (c) the material terms of the contract or arrangement including the value, if any
- (d) any advance paid or received for the contract or arrangement, if any
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
- (f) 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
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

ii) No Interested Director shall be present at the meeting during discussions on the subject matter of the resolution relating to related party transaction.

3. i) The Company shall obtain approval of the Company by a special resolution for any Related Party Transaction within the meaning of Section 188 of the Companies Act, 2013 unless the transaction entered in to by the Company is in the ordinary course of business and on arm's length basis. The Company shall obtain approval of the Company by a special resolution for any Material Related Party Transaction.

ii) All existing related party contracts or arrangements which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first general meeting subsequent to October, 2014. However, the Company, may choose to get such contracts approved by the shareholders even before 1st October, 2014.

Provided that:

- (a) No member of the company shall vote on such special resolution, if such member is a Related Party.
 - (b) The special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.
 - (c) The explanatory statement to the notice of general meeting shall contain name of the related party, name of director or KMP who is related, if any, nature of relationship, nature, material terms, monetary value and particulars of the contract or arrangement and any other information relevant or important for the members to take a decision on proposed resolution.
4. Details of all related party transactions shall be disclosed quarterly along with the compliance report on corporate governance.



5. Every contract or arrangement with Related Party entered in to by the Company shall be referred to in the Board's Report to the shareholders along with justification for entering in to such contract or arrangement.

6. Board of Directors shall be monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

PROVISION FOR OMNIBUS APPROVAL

In pursuance with the provisions of Clause 49 (VII) (D), all Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions 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 Related Party Transactions 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 the need for such omnibus approval and that such approval is in the interest of the company;

c. 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.

d. 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.

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"

"Provided that sub-clause 49 (VII) (D) and (E) shall not be applicable in the following cases:

(i) transactions entered into between two government companies;

(ii) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation (i): For the purpose of Clause 49(VII), "Government company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation (ii): For the purpose of Clause 49(VII), 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."



IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each director and key managerial personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential related party transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

DISCLOSURES

Details of all material transactions with Related Parties shall be disclosed to stock exchanges quarterly along with the compliance report on corporate governance.

The company shall disclose the policy on dealing with related party transactions on its website and web-link shall be provided in annual report.

AMENDMENTS IN LAW

Any subsequent amendment/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this policy.

