

## S.P. APPARELS LTD

Submitted to the Board of S.P.Apparels Ltd for consideration and adoption at the Board Meeting of 07<sup>th</sup> July, 2017.

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### SCOPE OF COMMITTEES OF THE BOARD

S.P.Apparels Ltd is dedicated to the highest standard of ethics and integrity and has successfully applied these standards to the business. After more than 30 years in the business of textiles and apparels, the Company was incorporated as a public company in 2005. Today, the Company's responsibilities to the investment community demand an even greater dedication to these qualities of ethics and integrity. Keeping this in mind, the Company has longstanding policies and practices to ensure that the company continues to be managed with integrity.

The Board of Directors of the Company at present are:

- |                       |                                  |
|-----------------------|----------------------------------|
| 1. Mr. P.Sundararajan | – Chairman and Managing Director |
| 2. Mrs.S.Latha        | – Executive Director             |
| 3. Mr.S.Chenduran     | – Director (Operations)          |
| 4. Mr.V.Sakthivel     | – Independent Director           |
| 5. Mr. P.Yesuthasen   | – Independent Director           |
| 6. Mr.G.Ramakrishnan  | – Independent Director           |
| 7. Mr.A.S.Anand Kumar | – Independent Director           |

The Board of the Company has constituted/ re-constituted the following Committees of the Board in compliance with the provisions of the Companies Act, 2013, its Rules and Regulations besides the Listing Regulations and requirements.

1. Audit Committee.
2. Nomination and Remuneration Committee
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility Committee
5. Borrowing and Bank Operations Committee
6. Investment Committee
7. Allotment Committee
8. Risk Management Committee
9. Vigil Mechanism Committee
10. IPO Committee.

Section 71 of the Companies Act, 2013 ('Act') provides for constitution of committees of the Board. The Board may delegate any of its powers to a committee consisting of such member or members of its body as it think fit. A committee may elect a chairperson of its meeting. A committee may meet and adjourn as it thinks fit. Question arising at the meeting of a committee shall be determined by the majority of the votes of members present, and in case of any equality of votes, the chairperson shall have a second or casting vote.

The Companies Act, 2013 vide its Section 177 and 178 regulates the formation of Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee. Section 135 of the Act provides for the requirement of Corporate Social Responsibility Committee for such specified companies and formulation of Corporate Social Responsibility policy for undertaking such of the activities as specified in Schedule VII of the Act.

Other Committees of the Board are formed within the framework of the above legislations and rules to facilitate early implementation of activities and necessities as and when required and to circulate such approvals, resolutions, confirmations etc. given by the said Committees to the Board at its next meeting for noting of the same.

Depending upon its working, Board can form any number of committees defining their composition, scope, powers, roles etc.

## **1. AUDIT COMMITTEE**

### **Statutory provisions:**

The Audit Committee shall consist of a minimum of three directors with independent directors forming majority. The Chairperson should be an independent director. Majority of the members of the Committee including its Chairperson shall be persons with ability to read and understand the financial statement.

The Company Secretary of the Company shall act as Secretary of the committee.

The roles, powers, meetings, information review and terms of reference of Audit Committee are given in Clause 49 (III) and Section 177 of the Companies Act, 2013 and are in complete harmony to each other.

### **The role of the Audit Committee include:**

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions

g. Qualifications in the draft audit report

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

8. Approval or any subsequent modification of transactions of the company with related parties;

9. Scrutiny of inter-corporate loans and investments;

10. Valuation of undertakings or assets of the company, wherever it is necessary;

11. Evaluation of internal financial controls and risk management systems;

12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

14. Discussion with internal auditors of any significant findings and follow up there on;

15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

18. To review the functioning of the Whistle Blower mechanism;

19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall include the above functions.

## **Powers of the Audit Committee**

The Audit Committee may call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with internal and statutory auditors and the management of the company. The Audit Committee has authority to investigate into any matter in relation to the functions or referred to it by the Board and for this purpose has powers to obtain professional advice from external sources and have full access to information contained in the records of the company.

## **Rights of Auditors**

The Auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the Auditor's report but shall not have the right to vote.

## **Disclosure in Board's report**

The Board's report under sub-section (3) of section 134 of the Act shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefor.

## **Valuation by registered valuers**

[Section 247\(1\)](#) of the Act provides where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities, or goodwill or any other assets or net worth of the company or its liabilities under the provision of this act, it shall be valued by a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee or in its absence by the Board of Directors of the company.

## **Contravention**

In case of any contravention of the above provisions of the Act, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

## **Members of the Committee**

The present Audit committee of the Board was re-constituted on 28.12.2015 and the members of the committee are as follows:

Sl.No	Name of Independent Director
1	Mr.V.Sakthivel - Chairman
2	Mr.P.Yesuthasen
3	Mr.A.S.Anand Kumar

## 2. NOMINATION AND REMUNERATION COMMITTEE

[Section 178](#) of the Act provides for the constitution of nomination and remuneration committee. This committee shall consists of three or more non-executive directors and at least one half (1/2) of such directors should be independent. The Chairman of the committee should be an independent director.

### Functions

1. The Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down;
2. Recommend to the Board their appointment and removal;
3. Carry out evaluation of every director's performance.
4. The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director;
5. Recommend to the Board a policy, relating to remuneration for the directors, key managerial personnel and 'senior management' personnel;
6. Devise a policy on Board diversity.

### Formulation of policy

The Committee shall, while formulating the policy shall ensure that-

1. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
2. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
3. Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

### Disclosure in Board's report

Such policy shall be disclosed in the Board's report. The term 'senior management' means, personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads. The Chairperson of this committee or in his absence, any other member of the committee authorized by him in this behalf shall attend the general meetings of the company.

### Members of the Committee

The present committee was re-constituted on 28.12.2015 and the members of committee are as follows:

Sl.No.	Name of the Independent Director
1	Mr.G.Ramakrishnan - Chairman
2	Mr.V.Sakthivel
3	Mr. P.Yesuthasen

### 3. STAKEHOLDERS RELATIONSHIP COMMITTEE

[Section 178 \(5\)](#) of the [Act](#) provides that the Board of Directors of a company, where the company has more than 1000 shareholders, debenture holders, deposit holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee. The Committee shall consider and resolve the grievances of security holders of the company. The Chairperson of this committee or in his absence, any other member of the committee authorized by him in this behalf shall attend the general meetings of the company.

Terms of reference of this Committee include looking into grievances of security holders of the company, redressal of investor complaints, eg, transfer of shares, non receipt of balance sheet, etc.

Non-consideration or resolution of any grievance by the Stakeholders Relationship Committee in good faith shall not constitute a contravention of this section.

#### Contraventions

In case of any contravention of the provisions of this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

#### Members of the Committee

The committee was re-constituted on 13.11.2015 and the members of committee are as follows:

Sl.No.	Name of the Director
1.	Mr. V.Sakthivel - Chairman
2.	Mrs. S.Latha
3.	Mr. S.Chenduran

### 4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

[Section 135](#) of the [Act](#) provides for the constitution of Corporate Social Responsibility Committee by every company having net worth of Rs.500 crores or more, or turnover of Rs.1,000 crores or more or a net profit of Rs.5 crores or more during any financial year.

Corporate and Social Responsibility Committee shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

#### Functions of the Committee

The Corporate Social Responsibility Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII, as detailed below:

1. Activities relating to-
  - Eradicating extreme hunger and poverty;
  - Promotion of education;
  - Promoting gender equality and empowering women;
  - Reducing child mortality and improving maternal health;
  - Combating human immuno deficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
  - Ensuring environmental sustainability;
  - Employment enhancing vocational skills;
  - Social business projects;
  - Contributions to Prime Minister's National Relief Fund or any other fund set up by the Central Government of the State Government for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
  - Such other matters as may be prescribed.
2. Recommend the amount of expenditure to be incurred on the activities for above; and
3. Monitor the Corporate Social Responsibility Policy of the company from time to time.

### **Obligations of the Board**

The Board of every company shall after taking into account the recommendations of the Committee approve the Corporate Social Responsibility Policy for the company and disclose the contents of such policy in its report and also place it on the company's website, if any, in such manner, as may be prescribed and ensure that the activities as are included in the Policy of the company are undertaken by the company.

The Board shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its policy. The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

### **Disclosure in Board's report**

The Board's report shall disclose the composition of the Corporate Social Responsibility Committee. If the company fails to spend such amount as required in a financial year, the Board shall, in its report specify the reasons for not spending the amount.

### **Members of the Committee**

The committee was re-constituted on 13.11.2015 and the members of committee are as follows:

Sl.No.	Name of the Director
1.	Mr. P.Sundararajan - Chairman
2.	Mrs.S.Latha
3.	Mr. V.Sakthivel

## 5. BORROWING AND BANK OPERATIONS COMMITTEE

### Functions of the Committee

The Borrowing and Bank Operations Committee shall attend to imminent necessities of borrowings from banks, financial institutions, government bodies, other statutory organizations, legal entities, etc. to mobilize resources to meet the company's financial requirements.

Further, in the course of business operations of the company, the Committee may authorize and approve for opening of banking accounts, maintenance and closure of accounts, changing of authorized personnel for smooth operations, meeting the requirements of the lenders, etc. in the interests of the company.

### Members of the Committee

The committee was re-constituted on 13.11.2015 and the members of committee are as follows:

Sl.No	Name of Director
1	Mr.P.Sundararajan - Chairman
2	Mr.S.Chenduran
3	Mr.V.Sakthivel

## 6. INVESTMENT COMMITTEE

The Investment Committee whenever required, would attend to the matters of investments, giving of loans, guarantees and providing of securities in connection with a loan to any body corporate or legal entities in the course of businesses of the Company and would apprise the same and circulate the resolutions passed in respect thereof as and when it is done.

The Committee would also attend to matters as advised by the Board in respect of the above functions.

### Composition

The committee was re-constituted on 26.06.2015 and the members of committee are as follows:

Sl.No.	Name of the Director
1.	Mr. P.Sundararajan - Chairman
2.	Mr.S.Chenduran
3.	Mr.V.Sakthivel

## 7. RISK MANAGEMENT COMMITTEE

In addition to the requirement of the Companies Act 2013 as well as the revised clause 49 that the audit committee will evaluate of internal financial controls and risk management systems.

The revised Clause 49 of the Listing Agreement requires that the company through its Board of Directors shall constitute a Risk Management Committee.

The majority of the Risk Management Committee shall consist of members of the Board of Directors. Senior executives of the company may be members of the said committee but the chairman of the committee shall be a member of the Board of Directors.

The Board shall be responsible for farming, implementing and monitoring the risk management plan for the company. Each member shall have an understanding of risk management expertise commensurate with the company's size, complexity and capital structure.

Further, the Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

## **FUNCTIONS**

The primary responsibility of the risk management committee is to oversee and approve the company's risk management practices to assist the Board in:

1. Overseeing that the executive team has identified and assessed all the risks that the company faces and has established a risk management infrastructure capable of addressing those risks;
2. Overseeing, in conjunction with other board-level committees or the full board, if applicable, risks, such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational, and other risks;
3. Overseeing the division of risk-related responsibilities to each board committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed;
4. In conjunction with the full Board, approving the company's risk management framework;

## **RESPONSIBILITIES**

The Risk management committee may have the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisors, as necessary, to perform its duties and responsibilities. The risk management committee shall also have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties. In addition, the risk management committee could make sure to meet with other board committees to avoid overlap as well as potential gaps in overseeing the company's risks.

To fulfill its responsibilities and duties, the risk management plan should include:

- the company's risk management structure;
- the risk management framework i.e. the approach followed;
- the standards and methodology adopted;
- this refers to the measurable milestones such as tolerances, intervals, frequencies, frequency rates, etc. - risk management guidelines;
- reference to integration through, for instance, training and awareness programmes, and - details of the assurance and review of the risk management process.

## **Composition**

The committee was re-constituted on 28.08.2015 and the members of committee are as follows:

Sl.No.	Name of the Director
1.	Mr. P.Sundararajan - Chairman
2.	Mr. P.Yesuthasen
3.	Mr. S.Chenduran

## 8. ALLOTMENT COMMITTEE

The Committee would attend to matters as and when required in respect of issue of shares/ share certificate as per the allotments made by the Board or by this Committee as per the advice of the Board. This Committee shall further attend to transfer/ transmission of shares, issue of requisite duplicate share certificates, co-ordination with the Registrar & Transfer Agents, NSDL, CDSL authorities, Stock Exchanges, ROC/ MCA authorities as may be approved by the Board from time to time in connection with the issued shares of the Company..

### Functions and responsibilities

The Committee shall have the following responsibilities

- Issue and Allotment of Equity and/or Preference Shares.
- Issue of new Share Certificate on Allotment.
- Issue of duplicate / split / consolidated share certificates.
- To settle any question, difficulty or doubts of the shareholders that may arise in regard to the issue and allotment of shares.
- Redressal of shareholder complaints like non receipt of share certificates, loss of share certificates, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
- Reference to Board of Directors in case of any question, doubts or difficulty in respect of issue, allotment, transfer of shares and any shareholders grievances, if necessary.

### Composition

The committee was re-constituted on 24.05.2017 and the members of committee are as follows:

Sl.No.	Name of Directors
1.	Mr.V.Sakthivel - Chairman
2.	Mr.S.Chenduran
3	Mr. P.Sundararajan

## 9. VIGIL MECHANISM COMMITTEE

In accordance with Section 177(9) of the Companies Act, 2013, this Committee was constituted to establish a vigil mechanism for directors and employees to report concerns or grievances of unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy. As required, the Audit Committee of the Board at its meeting held on 25<sup>th</sup> June, 2015 adopted a vigil mechanism policy for the directors and employees of the Company and the Chairman of the Audit Committee was appointed as the contact person for access to the grievances covered under the vigil mechanism.

### Functions

- \* To act as an additional internal element of the Company's compliance and integrity policies.
- \* Not a substitute for other formal internal arrangements and procedures.
- \* Seeks to ensure that anyone who is aware (director or employee of the company) of a breach of Company's policies and procedures, suspected or actual frauds and embezzlement, illegal, unethical behavior or violation of Company's code of conduct or ethics etc., and to bring this to the attention of appropriate personnel in the Company, without fear of victimization, harassment or retaliation.

### Composition

The Committee was constituted on 13.11.2015 and the members of committee are as follows:

Sl.No.	Name of the Director
1.	Mr. V.Sakthivel - Chairman
2.	Mr. P.Sundararajan
3.	Mr.S.Chenduran

## 10. IPO COMMITTEE

To facilitate allotment and issue of shares in the Initial Public Offering (IPO) in co-ordination with the relevant authorities, agents, managers, bankers, stock exchanges and such other bodies, the IPO Committee was formed to comply with the requirements of the Companies Act, 2013, rules and regulations made thereunder, SEBI Act, rules and regulations made thereunder, Securities Contract (Regulation) Act, 1956 and regulations made thereunder, Listing regulations, etc.

### Functions of the IPO Committee

1. Positioning of the initial public offering including appointing all intermediaries for the Issue including Lead Managers, Legal Advisor, Registrar to the Issue, Bankers to the Issue, Underwriters, Market Makers, Printers, Advertising Agency among others, and approval of expenses related thereto;
2. Finalizing the timeliness for the Issue in consultation with the Lead Manager and other concerned intermediaries;
3. Ensuring and finalizing all disclosures to be made in the Draft Prospectus, and the Prospectus to be filed with SEBI and the RoC as per the requirements of the SEBI (ICDR) Regulations, 2009, the Companies Act and other applicable laws;
4. Deciding the capital structure of the Company including the size of the Issue, in consultation with the Lead Manager, among others;
5. Deciding the objects of the Issue, the use of the Issue proceeds and the deployment of funds raised in the Issue and changes therein, if any, among others;
6. Deciding the Issue Price and other terms of the Issue in consultation with the Lead Manager;
7. Finalizing and approving the Issue expenses in consultation with the Lead Manager;
8. Filing of applications to the stock exchanges for obtaining "in-principle approval" and listing of the shares, among others and ensuring compliance with the Listing Agreement; and
9. Taking decisions on and resolving all such questions, difficulties on all matters in relation to the proposed Issue and offer for sale, issuing explanations and clarifications to SEBI, the RBI, the stock exchanges, the Roc, and all other regulatory authorities and government offices, *inter-alia*, in connection with any matter relating to disclosures in the Draft Prospectus and the Prospectus, or any other matter, issue and grievance related to or incidental with the Issue or listing of the shares of the Company.

### Composition

The committee was re-constituted on 28.12.2015 and the members of committee are as follows:

Sl.No.	Name of the Director
1.	Mr. P.Sundararajan - Chairman
2.	Mr.V.Sakthivel
3.	Mr.S.Chenduran

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