

PADAM COTTON YARNS LIMITED

Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons

(Amended by the Board of Directors on 28th May, 2019,

With retrospective effect from 1st April, 2019)

INTRODUCTION

SEBI (Prohibition of Insider Trading) Regulations, 2015 (the "2015 Regulations") requires a listed company to formulate a Code of Conduct to Regulate, Monitor and Report Trading by its Employees and other connected persons, towards achieving compliance with the said Regulations, adopting the minimum standards, set out in Schedule B to the Regulations.

Accordingly the Company's Code of Internal Procedures and Conduct for Prevention of Insider Trading framed under SEBI (Prohibition of Insider Trading) Regulations, 1992 was replaced with the Code of Conduct to Regulate, Monitor and Report Trading by Employees and Other Connected Persons.

The 2015 Regulations were amended further by the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 (the "2018 Regulations" and collectively with the 2015 Regulations, referred to as "the Regulations"), effective from 1st April, 2019. Accordingly, to align the Company's existing Code with the 2018 Regulations, the Code is hereby amended and renamed as "Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons" (the code).

PURPOSE

The Code informs the Designated Persons of the Company and other connected persons regarding minimum requirements of regulating, monitoring and reporting of trading by the insider in securities issued by the Company.

The Code reiterates importance of secure fencing Unpublished Price Sensitive Information (UPSI) by the insiders. Also it reiterates zero tolerance against insider trading so as to protect sanctity of stock markets, reputation of concerned Employee and of the Company.

To applicable persons, when in possession of UPSI, the Code mandates that no person shall communicate, provide, or allow access to any UPSI; procure from any insider UPSI; trade in listed or to be listed securities of the Company.

DEFINITIONS

The following terms used herein shall have the meaning specified:

- i. **Act**—shall mean the Securities and Exchange Board of India Act, 1992.
- ii. **Compliance Officer**—means a senior officer duly authorized and designated so by the Board of Directors and who possesses financial knowledge and is capable of appreciating requirements for legal and regulatory compliance under these regulations.
- iii. **Connected Person** means—
 - (i) Any person who is or has during the six months prior to the concerned act been associated with the Company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the Company or holds any position including a professional or business relationship between himself and

the Company whether temporary or permanent, that allows such person, directly or indirectly, access to Unpublished Price Sensitive Information or is reasonably expected to allow such access.

(ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established—

- a) an immediate relative of connected persons specified in clause (i); or
- b) a holding company or associate company or subsidiary company; or
- c) an intermediary as specified in section 12 of the Act or an employee or director thereof; or
- d) an investment company, trustee company, asset management company or an employee or director thereof; or
- e) an official of a stock exchange or of clearing house or corporation; or
- f) a member of board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof; or
- g) a member of the board of directors or an employee, of a public financial institution as defined in section 2(72) of the Companies Act, 2013; or
- h) an official or an employee of a self-regulatory organization recognized or authorized by the Board; or
- i) a banker of the company; or
- j) a concern, firm, trust, Hindu undivided family, company or association of persons wherein a director of a company or his immediate relative or banker of the company, has more than 10% of the holding or interest;

iv. **Designated Person**—shall mean and include;

- a) Promoters of the Company;
- b) Directors of the Company (whether whole time or not);
- c) Key Managerial Personnel (KMP) of the Company;
- d) Designated Employees

v. **Designated Employees – shall mean and include :**

- a) Employees two level below Chief Executive Officer (CEO);
- b) Employees in the grade of General Manager and above;
- c) Employees working in the Departments of Finance, Secretarial, Information Technology, Internal Audit and Director Office;
- d) Any other person as may be determined by the Compliance officer, based on their functional role in the organization, for the purpose of monitoring adherence to the Code for preservation of UPSI.

For the purpose of the Code, the term 'Designated Person/ Designated Employee shall include his / her Immediate Relatives and persons with whom he / she share a material financial relationship.

vi. **Employee** – includes any person being in the bona fide permanent employment of the Company (whether or not on probation).

For the purpose of the Code, the term Employee shall include his / her Immediate Relatives.

- vii. **Generally available information** - means information that is accessible to the public on a non – discriminatory basis.
- viii. **Immediate relative** - means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities.
- ix. **Insider**—shall mean any person who is:
 - a) a connected person; or
 - b) in possession of or having access to Unpublished Price Sensitive Information.
- x. **Key Managerial Personnel (KMP)** – shall have the meaning assigned to it under the Companies Act, 2013.
- xi. **Material Financial Relationship** - shall mean a relationship in which one person is a recipient of any kind of payment such as by way of loan or gift during the immediately preceding twelve months, equivalent to at least 25% of such payer’s annual income but shall exclude relationships in which the payment is based on arm’s length transactions.
- xii. **Promoter** - shall have the meaning as assigned to it under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 or any modifications thereof.
- xiii. **Securities** – shall have the meaning assigned to it under the Securities Contract (Regulation) Act, 1956 or any modification thereof except units of a mutual fund.
- xiv. **Trading** - means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and “ trade” shall be construed accordingly.
- xv. **Trading Day** – means a day on which the recognized stock exchanges are open for trading.
- xvi. **Unpublished Price Sensitive Information (UPS)** –shall mean any information, relating to the Company or its securities, directly or indirectly, that is not “Generally available information” which upon becoming ‘Generally available information’, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following:–
 - a) Financial results;
 - b) dividends;
 - c) change in capital structure;
 - d) mergers, de-mergers, acquisitions, de-listings, disposals and expansion of business and such other transactions;
 - e) changes in Key Managerial Personnel.

Words and expressions used and not defined in these Rules but defined in the Securities and Exchange Board of India Act,1992, the Securities Contracts (Regulation) Act,1956, the Depositories Act,1996 or the Companies Act, 2013 and rules and regulations made there under shall have the meanings respectively assigned to them in those legislations.

CODE:

1. Applicability

The Code applies to all the Designated Persons, Promoters, Directors and KMP of the Company including their immediate relatives.

In addition to the above, all the connected persons in possession of or having access to Unpublished Price Sensitive Information shall also be covered under the Code and accordingly the Company may ask such persons or class of connected persons to make disclosures of their holdings and trading in securities of the Company.

2. Compliance Officer:

The Company Secretary of the Company shall act as the Compliance Officer of the Company for the purposes of this Code.

3. Reporting:

The Compliance Officer shall report to the Board of Directors and in particular, shall provide reports to the Chairman of the Audit Committee, on quarterly basis or at such frequency as may be stipulated by the Board from time to time.

4. Prohibition on communicating or procuring UPSI:

4.1 All UPSI shall be handled on a 'need-to-know' basis.

4.2 No Insider shall communicate, provide or allow access to UPSI, relating to the Company or its Securities, to any person including other Insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

4.3 Sharing of information with partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals, other advisors or consultants, shall be considered as "legitimate purposes" for the purpose of sharing unpublished price sensitive information in the ordinary course of business by an Insider, provided that such sharing has not been carried out to evade or circumvent the prohibitions of the Regulations.

4.4 Employees working in concerned departments of the Company which are handling UPSI shall not communicate such UPSI with employees of other departments of the Company or with any person except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

4.5 Files containing confidential information shall be kept secure. Computer files must have adequate security of login and password, etc.

4.6 The Company may share UPSI for a set of transactions with connected persons if it is in its interest of the Company provided confidentiality agreements have been signed for ring fencing UPSI.

4.7 High degree of care is expected of such persons who have access to UPSI.

5 Prohibition on Insider Trading

5.1 An Insider shall not, directly or indirectly, trade in securities of the Company, that are listed or proposed to be listed, when in possession of UPSI;

When a person who has traded in securities has been in possession of UPSI, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession.

5.2 Provided the above restriction shall not apply in following circumstances:

(i) a transaction that is an off-market inter-se transfer between Insiders who were in possession of the same UPSI without being in breach of these Rules and both parties had made a conscious and informed trade decision; and

Provided that such off-market trade shall be reported by the Insiders to the Company within two working days and every Company shall notify the particulars of such trade to the stock exchanges within two trading days from receipt of the disclosure or becoming aware of such information.

(ii) a transaction that is carried out through the block deal window mechanism between persons who were in possession of UPSI without being breach of these Rules and both parties had made a conscious and informed trade decision; and

(iii) a transaction that is carried out pursuant to a statutory or regulatory obligation to carry out a bona fide transaction.

(iv) a transaction that is undertaken pursuant to the exercise of stock options in respect of which the exercise price was pre-determined in compliance with these Rules.

(v) in the case of non-individual insiders—

a. the individuals who were in possession of such UPSI were different from the individual staking trading decisions and such decision-making individuals were not in possession of such UPSI when they took the decision to trade; and

b. appropriate and adequate arrangements were in place to ensure that these regulations are not violated and no UPSI was communicated by the individuals possessing the information to the individuals taking trading decisions and there is no evidence of such arrangements having been breached;

(vi) trades pursuant to a Trading Plan set up in accordance with these Rules.

6. Institutional Mechanism for Prevention of Insider Trading

Chief Executive Officer shall put in place adequate and effective system of internal controls to ensure compliance with the requirements of the Insider Trading Regulations to prevent insider trading.

7. The internal controls include the following:

- (a). all employees who have access to UPSI are identified as designated employee;
- (b). all UPSI shall be identified and its confidentiality shall be maintained as per the requirements of the regulations;
- (c). adequate restrictions shall be placed on communication or procurement of UPSI as required by the regulations;
- (d). lists of all employees and other persons with whom UPSI is shared shall be maintained and confidentiality agreements shall be signed or notice shall be served to all such employees and persons;
- (e). all other relevant requirements specified under the regulations shall be complied with;
- (f). periodic process review to evaluate effectiveness of such internal controls.

The Audit Committee of the Board shall review compliance with the provisions of the regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.

8. Trading Window

8.1 The Company shall announce periodically a 'Trading Window Closure Period' to facilitate trades in securities of the Company.

8.2 The Trading Windows shall generally be closed by the Compliance Officer during, inter alia:-

- a. Declaration of Financial Results (quarterly, half-yearly and annual);
- b. Declaration of Dividends (interim and final);
- c. Change in capital structure; mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions; and
- d. Changes in Key Managerial Personnel

8.3 Additionally, the trading window shall be closed in particular for a Designated Person or class of Designated Persons when the Compliance Officer determines that a Designated Person or class of Designated Persons can reasonably be expected to have possession of UPSI, for such periods as determined by the Compliance Officer.

8.4 The timing for re-opening of the trading window shall be determined by the Compliance Officer taking into account various factors including the UPSI in question becoming generally available and being capable of assimilation by the market, which in any event shall not be earlier than **forty-eight hours** after the information becomes generally available.

8.5 The trading window shall also be applicable to any person having contractual or fiduciary relation with the Company, such as auditors, accountancy firms, law firms, analysts, consultants etc., assisting or advising the Company.

9. Trading by Designated Persons

9.1 Designated persons and their immediate relatives shall not trade in securities of the Company when the Trading Window is closed.

9.2 Any Designated Person including his/ her immediate relatives who intends to deal in excess of 200 shares or shares representing Rs. 2,50,000 in trading value (whichever is lower), during a financial year must take prior approval of the Compliance Officer (**as per Annexure 1&2**).

9.3 The Designated Person shall, within two days of the execution of the Trade, submit the details of such Trade to the Compliance Officer **as per Annexure 3**. In case the transaction is not undertaken, after taking pre-clearance, a report to that effect shall be filed in the said form.

9.4 All Designated Persons shall disclose his/ her holding of securities of the Company as on date of every financial year ending 31st March, to the Company within 30 days **as per Annexure 4**.

9.5 The Designated Person shall also disclose the names and permanent account number or any other identifier authorized by law of the following persons to the Company on an annual basis (within 30 days from the end of the financial year) and as & when the information changes (within 7 days of change) as per **Annexure 4**:

- (i) Immediate relatives;
- (ii) Persons with whom such Designated Person shares a material financial relationship.

Further, phone, mobile and cell numbers of above persons also needs to be disclosed.

9.6 The names of educational institutions from which Designated Persons have graduated and names of their past employers shall also be disclosed on a one time basis to the Company within 30 days from the date on which this Code shall become effective as per **Annexure 5**.

9.7 Prior to approving any trades, the Compliance Officer shall be entitled to seek declarations to the effect that the applicant for pre-clearance is not in possession of any UPSI. He shall also have regard to whether any such declaration is reasonably capable of being rendered inaccurate.

Provided that pre-clearance of trades shall not be required for a trade executed as per an approved trading plan.

9.8 The trades that have been pre-cleared have to be executed by the designated person **within seven (7) trading days** failing which fresh pre-clearance would be needed for the trades to be executed.

9.9 A designated person who is permitted to trade **shall not execute a contra trade within a period of six (6) months** following the prior transaction. Relaxation may be given by the Compliance Officer from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these Regulations.

9.10 In the event, any such contra trade is executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to SEBI for credit to the Investor Protection and Education Fund administered by SEBI under the Act.

9.11 In any case, no Designated Person shall trade in securities of the Company when in possession of UPSI even if the Trading Window is not closed.

However, trades pursuant to a "Trading Plan" set up in accordance with the Regulations may be permitted subject to the approval of Trading Plan by the Compliance Officer and public disclosure of it on the Stock Exchanges.

10. Trading Plan

10.1 Designated Persons shall be entitled to formulate a Trading Plan for dealing in securities of the Company and present it to the Compliance Officer for approval and public disclosure pursuant to which trades may be carried out in accordance with such Plan.

10.2 Such Trading Plan shall:

- (i) Not entail commencement of trading on behalf of the insider earlier than six months from the public disclosure of the plan;
- (ii) Not entail trading for the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results;
- (iii) Entail trading for a period of not less than twelve months;
- (iv) not entail over lap of any period for which another trading plan is already in

existence;

(v) set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and

(vi) not entail trading in securities for market abuse.

10.3 The Compliance Officer shall review the Trading Plan to assess whether the plan would have any potential for violation of these regulations and shall be entitled to seek such express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the Plan.

10.4 The Trading Plan once approved shall be irrevocable and the Insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan.

10.5 However, the implementation of the trading plan shall not be commenced, if at the time of formulation of the plan, the Designated Person is in possession of any UPSI and the said information has not become generally available at the time of the commencement of implementation. The commencement of the Plan shall be deferred until such UPSI becomes generally available information.

10.6 Upon approval of the Trading Plan, the Compliance Officer shall notify the Plan to the Stock Exchange(s) on which the securities of the Company are listed.

10.7 The trading window norms and restrictions on contra-trade shall not be applicable on trade carried out in accordance with an approved trading plan.

11. Disclosures and other Requirements

11.1 Initial Disclosures

- a) Every Promoter, KMP and Director of the Company shall disclose his holding of securities of the Company (as on the date of the Regulations taking effect) to the Company within thirty (30) days of the Regulations taking effect i.e. 15th May 2015. **(as per Form A set out in Annexure 6)**
- b) Every person on appointment as a KMP or a Director of the Company or upon becoming a Promoter shall disclose his holding of securities of the Company as on the date of appointment or becoming a Promoter, to the Company within seven(7) days of such appointment or becoming a Promoter. **(as per Form B set out in Annexure 7)**

11.2 Continual Disclosures

- a) Every Promoter, Designated Person and Director of the Company shall disclose to the Company the number of such securities acquired or disposed of within two (2) trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of Rs.10,00,000/- (Rupees Ten Lacs) or such other value as may be specified; **(as per Form C set out in Annexure 8)**

For example if designated person has bought securities of the Company of Rs 4 Lacs

on Jan 4; Rs 5 Lacs on Feb28; Rs1.5 Lacs on March 27.

The employee shall notify all three transactions within 2 trading days of March 27, when value of series of trades exceeded Rs 10 lacs limit.

The above dealings shall, however, be subject to the conditions elsewhere prescribed under this code.

- b) The Company shall notify the particulars of such trading to the Stock exchanges on which its securities are listed within two (2) trading days of receipt of such disclosures or becoming aware of such information.

11.3 Disclosures by other connected persons

The Compliance Officer may, require any other Connected Person to disclose the holdings and trading in securities of the Company (**as per Form D set out in Annexure 9**) at such frequency as he may determine.

11.4 The disclosures to be made by any person under this Code shall include those relating to trading by such person's immediate relatives, and by any other person for whom such person takes trading decisions.

11.5 The disclosures of trading in securities shall also include trading in derivatives of securities, if any, and the traded value of the derivatives shall be taken into account for purposes of this Code.

11.6 The disclosures made under this Code shall be maintained for a period of five years by the Company.

12 **Penalty for contravention of Code**

12.1 Every person, to whom the Code is applicable, shall be individually responsible for complying with the provisions of this Code (including to the extent the provisions hereof are applicable to his/her immediate relatives).

12.2 Any person who violates the Code, shall, in addition to any other penal action that may be taken against him under any Law, also be subject to disciplinary action, including wage freeze, suspension, recovery, claw back etc.

13 **Leak / suspected leak of UPSI**

In case of leak / suspected leak of UPSI, a separate Policy and Procedure has been adopted by the Board of Directors of the Company.

14 **Reporting to SEBI**

In case it is observed by the Board of Directors / Compliance Officer that there has been a violation of the Regulations, they shall inform SEBI promptly.

APPLICATION FOR PRE-CLEARANCE OF TRADES

To
 The Compliance Officer
 PADAM COTTON YARNS LIMITED,
 KARNAL-132001

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Company's Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons, I seek approval for purchase/ sale/ subscription of the securities of the Company as detailed below:

Name & PAN No./CIN/DIN of the Designated Person and/or his Immediate Relatives	Relationship with the Designated Person	Shares held as on date	Client ID and DP ID/ Folio No.	No. of shares proposed to be sold/ bought/ dealt with	Holding after such conduct of said transaction	Mode of Transaction (market purchase/off market)

I hereby enclose the form of undertaking signed by me.

Name of the Designated Person _____

Department _____

Employment No. _____

Mobile no. _____

Signature _____

Date _____

**UNDERTAKING TO BE EXECUTED AT THE TIME OF
APPLYING FOR PRE-CLEARANCE**

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Company's Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons,

To
The Compliance Officer
PADAM COTTON YARNS LIMITED,
KARNAL-132001

I, _____ s/o _____, r/o _____, hereby declare that I am a Promoter / Director / KMP / Designated Employee (state designation) of PADAM COTTON YARNS LIMITED, KARNAL

I further declare that I am not in possession of or otherwise privy to any Unpublished Price Sensitive Information up to the time of signing this undertaking.

In case I have access to or I receive any price sensitive information after signing this undertaking but before execution of the transaction, I shall inform the Compliance Officer of the change in my position and I would completely refrain from trading in the securities of the Company till the time such price sensitive information becomes public /generally available.

I declare that I have not contravened the Company's Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons. I declare that I have made full disclosure in the matter.

Name of the Designated Person _____

Department _____

Employment No. _____

Mobile no. _____

Signature _____

Date _____

DISCLOSURE OF TRANSACTIONS

(To be submitted within 2 days of transaction / trading in securities of the Company)

To
 The Compliance Officer
 PADAM COTTON YARNS LIMITED,
 KARNAL

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Company's Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons, I hereby inform that I –

have not bought / sold / subscribed any securities of the Company

have bought / sold / subscribed to _____ securities as mentioned below on _____ (date)

(strike out whichever is not applicable)

Name & PAN / CIN / DIN of Holder	Relationship with the Designated Person	No. of securities traded	Bought / sold / subscribed	DP ID/Client ID/Folio No.	Trading Value (Rs.)

Name of the Designated Person _____

Employment No. / DIN No. _____

Mobile no. _____

Signature _____

Date _____

ONE TIME DISCLOSURE BY THE DESIGNATED PERSONS

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Company's Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons,

To
The Compliance Officer
PADAM COTTON YARNS LIMITED,
KARNAL

I hereby inform the name of the educational institution from where I have graduated and the names of my past employers:

1. Name of the Graduation / Post Graduation Degree along with the name of the Education Institution : _____

2. Name of the Past employers with address : _____

Name of the Designated Person _____

Employment No. / DIN No. _____

Department _____

Mobile no. _____

Signature _____

Date _____