

## **Code of Conduct to regulate, monitor and report trading by Designated Persons under SEBI (Prohibition of Insider Trading) Regulations, 2015**

Securities and Exchange Board of India (SEBI) has issued new SEBI (Prohibition of Insider Trading) Regulations, 2015 which came into force with effect from 15.05.2015. As per the requirements of these regulations 9 of the regulations, every listed company shall have an internal code of conduct for regulating insiders trading in the securities of the Company. The code of conduct envisages disclosure of initial shareholding, subsequent changes thereof and also to observe the procedures while dealing in the securities of the Company by its Designated persons.

Accordingly, the following regulations are adopted as the internal code of conduct for the prohibition of insider trading by the Company.

### **Applicability:**

This internal code of conduct is applicable to all the designated persons and their immediate relatives.

### **1) DEFINITIONS**

1. **Compliance Officer** means the Compliance officer appointed by the Company pursuant to Regulation 6 of SEBI (Listing Obligations and Disclosure Requirements), 2015.
2. **Designated Persons shall mean:**
  - a. Directors of the Company.
  - b. Promoter and promoter group
  - c. Officers as defined in the Companies Act, 2013 as amended from time to time
  - d. All employees two levels below the Managing Director/CEO.
  - e. Employees in the Corporate Finance Department as identified by the Chief Financial Officer.
  - f. Employees in the Secretarial Department designated by the Company Secretary.
  - g. Employees in the Information Service Department designated by Head –ISD.
  - h. Any other Connected person as may be specified by the Compliance Officer or Managing Director from time to time.
3. **Immediate relative** means a person as defined under Regulation 2 (f) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
4. **Insider** means a person as defined under Regulation 2(g) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
5. **Unpublished Price sensitive information (UPSI)** mean the information as defined under Regulation 2 (n) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

## **2) ROLE OF COMPLIANCE OFFICER**

The Compliance Officer shall be responsible for:

- a. Compliance of policies and procedures, maintenance of records, monitoring adherence to the code to preserve unpublished price sensitive information UPSI;
- b. Approving and monitoring the implementation of trading plans; notify the trading plan to stock exchanges where the securities are listed, on approval of the plan.
- c. monitoring of trades and implementation of this Code under the overall supervision of the Board of Directors of the Company;
- d. reviewing the trading plan and assessing the potential of the plan for violation of the Regulations, if any; Assist designated persons in addressing any clarification regarding the SEBI (Prohibition of insider Trading) Regulations, 2015 and this code of conduct and
- e. Quarterly reporting to the Audit Committee if there is any changes in the holdings of designated persons, receipt of request for pre-clearance, details of pre-clearance given/declined etc.

## **3) PRESERVATION OF THE UNPUBLISHED PRICE SENSITIVE INFORMATION**

- a. All Designated persons shall maintain confidentiality of the UPSI. Designated persons shall not pass on such information to any person directly or indirectly,
- b. UPSI is to be handled within or outside the Company on a "need to know" basis, UPSI is to be communicated to any person in furtherance of the insider's legitimate purposes, performance of duties or discharge of his legal obligations.
- c. Any person including Auditors, accountancy firms, law firms, analysts, consultants etc., assisting or advising the Company, who is expected to have access to UPSI shall be advised to formulate a Code of conduct to regulate, monitor and report trading by its employees/ Connected persons towards achieving compliance of these regulations, adopting the minimum standards set out in the Regulations and schedule C of the Regulations without diluting any provisions. They are also be subjected to the trading window provisions.

### **Data base Management**

The Board of Directors shall ensure that a structured digital database is maintained with the names of such persons or entities, both internal and external, as the case may be with whom information is shared under the Regulations. Minimum information of such persons/entities including but not limited to Permanent Account Number, immediate

relatives, material financial relationship, contact numbers, educational institutions, details of past employers, in case of non-availability of Permanent Account Number, then any other identity authorized by law.

The database shall be maintained with the adequate internal controls and checks.

#### **4) COMPLIANCE REQUIREMENTS**

In the event a new immediate relative comes into being or any existing immediate relative ceasing to be Dependent, the concerned Designated Person shall forthwith give a notice in writing of such changes to the Compliance Officer.

##### **Initial Disclosure**

Designated Person of the Company shall be required to submit the details of their holdings in the Company's securities and that of their immediate relatives to the Compliance officer within thirty (30) days from the date of the Regulations becoming effective in Form No. 2. The said persons are also required to submit an undertaking to the Compliance Officer that they will adhere to the regulations laid down in Form No. 1.

Designated Person shall disclose his/her holding of securities of the Company as on date of the appointment or becoming a Designated Person to the Company/Compliance Officer within seven (7) days of such appointment or becoming a Designated Person. (Form No. 2)

##### **Continual Disclosures**

Continual disclosure of securities of the Company acquired or disposed of by a Designated person of the Company, in case the value of securities so traded, whether in one transaction or a series of transactions over a calendar quarter, aggregates to value in excess of ₹10 lakhs (Rupees Ten lakhs) shall be made within two (2) trading days of such transaction in the prescribed form.

Particulars of such trading shall be reported by the Company to the stock exchanges on which securities are listed within two (2) trading days of receipt of the disclosure or becoming aware of such information.

##### **Annual Declaration**

An annual declaration in Form No. 4 shall be made to the Compliance Officer within 30 days of close of a financial year.

## **5) TRADING WINDOW CLOSURE AND TRADING RESTRICTIONS**

1. All Designated persons and their immediate relatives are subject to trading restrictions.
2. The timing for closing and re-opening of the trading window shall be determined by the Compliance Officer after taking into account of various factors. Generally, the trading window shall be closed from the end of every quarter till 48 hours after the declaration of financial results.
3. During the period of closure of the trading window the designated persons or their immediate relatives shall not trade in the securities of the Company.

## **6) TRADING PLANS**

Any Insider who may be perpetually in possession of UPSI is entitled to formulate a trading plan enabling him/her to trade in securities. The Compliance Officer is required to review the trading plan to assess whether the plan potentially violates the Regulations.

Any Insider who may be perpetually in possession of UPSI is entitled to formulate a trading plan enabling him / her to trade in securities. The Compliance Officer shall review the trading plan to assess whether the plan potentially violates the Regulations and subject to his approval thereon make public disclosure of the trading plan to the Stock Exchanges where the securities are listed. The trading plan drawn up by an insider shall comply with and be subject to the provisions of Regulation 5 of the SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time.

### **Trading window open and trading restrictions:**

1. During trading window open the Designated persons are allowed to trade in the securities subject to the pre –clearance as enumerated hereunder.
2. During trading window open period also if the designated person is in possession of any UPSI, he should not apply for pre-clearance or execute any trade. It is the responsibility of the respective Designated persons.

The following are the pre-requisites for dealing in securities of the Company.

## **7) PRE-CLEARANCE OF TRADES**

- a. All designated Persons on their behalf and on behalf of their immediate relative who intend to deal in the securities of the Company during the period when the trading window is open, should obtain pre-clearance the transaction(s) if the value of the transaction, either to be conducted through a single transaction or a series of transactions, exceeding Rs.10 lakhs in value (market value) in every calendar quarter

- b. No Designated Person shall make an application for pre-clearance of any proposed trade if such designated person is in possession of UPSI even if the trading window is not closed. It is clarified that it is the responsibility of the Designated Persons to obtain approvals in respect of trades proposed to be conducted by them.
- c. An application may be made in the prescribed FORM NO 3, to the Compliance Officer indicating the estimated number of securities that the designated person intends to deal in, the details as to the depository with which he has a security account, number of securities held by him in physical and depository mode and such other details as may be required by the Company in this regard:-
- d. Compliance Officer shall either clear the requested deal or decline to clear the same within 7 days of receipt of the request in the prescribed form.

In case of Compliance officer or his immediate relative wishes to trade in the securities of the company, he should get pre-clearance from Chief Financial Officer and all the provisions of the pre-clearance shall also applicable to Compliance officer.

**Undertaking:**

An undertaking shall be executed in favour of the Company by such designated person confirming that:

- a. An Undertaking that the employee has no access or has not received any unpublished price sensitive information upto the time of signing the undertaking should also be given.
- b. In case designated persons has access to or receive any UPSI after signing of the undertaking but before execution of the transaction, he/she shall inform the change in his/her position to the Compliance officer and would completely refrain from trading of the securities of the company until such UPSI becomes generally available.
- c. That he/she has not contravened this Code.
- d. That he/she has made a full and true disclosure while applying for clearance to trade.

**Execution of Purchase Order:**

The purchase or sale order should be executed within seven trading days from the date of clearance and if not, again the same procedure shall be followed. After execution of the trade the designated person shall inform to the compliance officer about the execution of the trade.

**Period of holding the securities:**

When the shares are purchased by the designated person or his / her immediate relatives, they should hold at least for a minimum period of 6 months in order to be considered as being held for investment purpose. They shall not enter into any opposite transaction to buy or sell during the next six months.

**No positions be taken in derivatives:**

No Designated person or his / her immediate relatives shall take any position in the derivative segment of the securities of the Company

**Emergency provision:**

In the case of personal emergency, the holding period may be waived by the Compliance Officer after recording the reasons for waiving the holding period in this regard.

**Reporting requirements:**

The initial reporting declarations, of holdings, periodical statement of holdings, annual statement of holdings, application for pre-clearance of trade etc. shall be forwarded to the Compliance Officer of the Company.

The compliance officer of the company shall maintain the records of all reports / declarations in appropriate form for a minimum period of five years.

**8) INSTITUTIONAL MECHANISM FOR PREVENTION OF INSIDER TRADING (INTERNAL CONTROLS)**

The Managing Director shall ensure that adequate and effective system of internal controls to ensure compliance with the requirements given in the Regulations to prevent insider trading.

Internal controls shall include the following:

- All employees who have access to UPSI are identified as Designated employee;
- All UPSI shall be identified and its confidentiality shall be maintained as per the requirements of the Regulations;
- Adequate restrictions shall be placed on communication or procurement of UPSI as required by the Regulations;
- List of 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;
- Periodic process review to evaluate effectiveness of the internal controls.

**9) PROCEDURE FOR DISCLOSURE AND INQUIRY IN CASE OF LEAK OR SUSPECTED LEAK OF UPSI**

**Protected Disclosure** shall mean written communication made in good faith by any person disclosing information regarding the leak or suspected leak of UPSI. The person who made the protected disclosure will be called as whistle blower.

**Procedure for disclosure:**

- All Protected Disclosures should be addressed to the Chief Financial Officer of the Company. The contact details of the Chief Financial Officer are as under:

Chief Financial Officer  
Lakshmi Electrical Control Systems Limited  
504, Avinashi Road, Peelamedu Post, Coimbatore - 641 004.

- Protected Disclosures should preferably be reported in writing so as to ensure a clear understanding of the issues raised and should either be typed or written in a legible handwriting in English or in the local language of the place in which the office/establishment is located.
- The Protected Disclosure should be forwarded to the Chief Financial Officer under a covering letter which shall bear the identity of the person issuing the Protected Disclosure.
- Identity of the person issuing the protected disclosure must be disclosed in the covering letter. Anonymous disclosures will not be entertained.
- The Chief Financial Officer shall detach the covering letter and discuss the Protected Disclosure with concerned persons as deemed fit, and or forward the Protected Disclosure for investigation / inquiry.
- Protected Disclosures should be factual and not speculative or in the nature of a conclusion and should contain as much specific information as possible to allow for proper assessment of the nature and extent of the concern and indicate the urgency of a preliminary investigative procedure.
- If initial inquiries done by the Chief Financial Officer indicate that the protected disclosure has no basis, or it is not a matter on which an investigation is to be pursued under this Policy, it may be dismissed at this stage and the decision should be reduced in writing and documented.
- Where initial inquiries indicate that further investigation is necessary, this will be carried through either by the Chief Financial Officer alone, or by a Committee Constituted by the Chief Financial Officer in consultation with the Managing Director. In a scenario wherein Managing Director / Chief Financial Officer is not able to constitute the Committee, then Audit Committee of Board of Directors shall constitute the Committee. The Committee can consist of Members of the Board and / or executives of the Company.
- The investigation would be conducted in a fair manner, as a neutral fact-finding process and without presumption of guilt. A written report of the findings would be forwarded to the Chairman of the Audit Committee / Board of Directors.



### **Procedure for Investigation:**

- All Protected Disclosures reported under this Policy will be thoroughly investigated by the Committee.
- Committee is required to conduct the process towards fact-finding and analysis. Technical and other resources may be drawn upon as necessary to augment the investigation. The Committee has a duty of fairness, objectivity, thoroughness, ethical behaviour, and observance of legal and professional standards.
- The decision to investigate taken by the Chief Financial Officer/Committee is by itself not an accusation and is to be treated as a neutral fact-finding process. The outcome of the investigation may not support the conclusion that an improper or unethical act was committed.
- The identity of a Subject will be kept confidential to the extent possible given the legitimate needs of law and the investigation.
- Subjects will normally be informed of the allegations at the outset of a formal investigation and have opportunities for providing their inputs during the investigation.
- Subjects shall have a duty to co-operate with the Chief Financial Officer or any of the Investigators during investigation to the extent that such co-operation sought does not merely require them to admit guilt.
- Subjects have a responsibility not to interfere with the investigation. Evidence shall not be withheld, destroyed or tampered with and witnesses shall not be influenced, coerced, coached, threatened or intimidated by the Subjects. Unless there are compelling reasons not to do so, Subjects will be given the opportunity to respond to material findings contained in an investigation report. No allegation of wrongdoing against a Subject shall be considered as maintainable unless there is good evidence in support of the allegation.
- Subjects have a right to be informed of the outcome of the investigation. If allegations are not sustained, the Subject should be consulted as to whether public disclosure of the investigation results would be in the best interest of the Subject and the Company.
- The investigation shall be completed normally within 30 days of the receipt of the Protected Disclosure. However, the Chief Financial Officer or the Committee shall have the powers to grant or extend time limit wherever it is necessary.
- On submission of report, the Chief Financial Officer or the Committee shall discuss the matter with Audit Committee who shall either:



- a. In case the Protected Disclosure is proved, accept the findings of the Chief Financial Officer/ Investigators, take such Disciplinary Action as he/they may think fit and take preventive measures to avoid reoccurrence of the matter; This shall be done in consultation with the Managing Director.
- b. In case the Protected Disclosure is not proved, close the matter;
- c. Depending upon the seriousness of the matter, Chief Financial Officer may refer the matter to the Chairman of Audit Committee / Board of Directors with proposed disciplinary action/counter measures like suspension / termination of service/complaint to police etc., as the situation may warrant. The decision of the Audit Committee / Board of Directors is final and binding and
- d. report the Board promptly about such leaks, inquiries / investigations and results of the inquiries / investigations.

## **10) PROTECTION**

- i) No unfair treatment will be meted out to a whistle blower by virtue of his/her having reported a report under this Policy. The Company, as a policy, condemns any kind of discrimination, harassment, victimization or any other unfair employment practice being adopted against Whistle Blower. Complete protection will, therefore, be given to Whistle Blower against any unfair practice like retaliation, threat or intimidation of termination/suspension of service, disciplinary action, transfer, demotion, refusal of promotion, discrimination, any type of harassment, biased behavior or the like including any direct or indirect use of authority to obstruct the Whistle Blower's right to continue to perform his duties/functions including making further report. The Company will take steps to minimize difficulties, which the Whistle Blower may experience as a result of making the report. Thus, if the Whistle Blower is required to give evidence in criminal or disciplinary proceedings, the Company will arrange for the Whistle Blower to receive advice about the procedure, etc.
- ii) The identity of the Whistle Blower shall be kept confidential.
- iii) Any other Employee assisting in the said investigation or furnishing evidence shall also be protected to the same extent as the Whistle Blower.

## **11) PENALTY**

Violation of the above code of conduct will attract disciplinary action as per the rules of the Company. The penalty may include wage freeze, suspension, Recovery, Claw Back, termination, ineligibility for future participation in employee stock option plans, etc.

The Disciplinary actions taken by the Company will not preclude SEBI from the invocation of penal provisions prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Compliance Officer of the Company is responsible for reporting any violation of the code of conduct to SEBI.

Any trade executed inadvertently or otherwise which is in violation of the code, the profit from such trade shall be liable to be remitted to the SEBI for credit of investor protection and education fund.

### **Amendment**

The Board of Directors shall amend this policy, as may be required to be in line with the changes, amendments and modifications if any in the SEBI (Prohibition of Insider Trading) Regulations, 2015.

Further, 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.

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