

SAMTEX FASHIONS LIMITED**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING
WITH RELATED PARTY TRANSACTIONS****1. Introduction**

The Board of Directors of Samtex Fashions Limited ("the Board") has adopted following Policy and procedures with regard to Materiality of Related Party Transactions and dealing with Related Party Transactions of the Company with effect from February 11, 2022.

2. Purpose

The Regulation 23 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended ("Listing Regulations") requires all listed companies to formulate a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors. The regulation further requires that the audit committee of Company shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions. This Policy has been framed for complying with above requirement.

3. Applicability

The policy will be applicable to the company with respect to all prospective Related Party Transactions.

All existing material Related Party Transactions contracts or arrangements which came into effect before the commencement of section 188 of the Act will not require fresh approval till the expiry of the original term of such contracts. However, if any modification in such contract is made on or after April 01, 2014, approval would need to be obtained as provided in this policy.

Revised Related Party Transaction Policy Shall be effective from February 11, 2022.

4. Definitions

- i. "Act" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.
- ii. "Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- iii. "Associate Company" shall mean "Associate Company" as defined in Section 2 (6) of the Companies Act, 2013.



iv. **"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time, in line with the provisions of the Act and Listing Regulations.

v. **"Director"** means a person as defined in Section 2 (34) of the Companies Act, 2013.

vi. **"Key Managerial Personnel"** shall mean "Key Managerial Personnel" as defined in Section 2 (51) of the Companies Act, 2013 read with related rules issued thereon.

vii. **"Material Related Party Transaction"** In accordance with Regulation 23 of the Listing Regulations, w.e.f. 01/04/2022 a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One thousand Crore (1000 crore) or ten per cent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other limit as may be specified in the applicable Regulation as amended from time to time.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be consider material if the transaction(s) to be entered into individually or take together with previous transactions during a financial year, exceed five percent (5%) (or such other limit as may be specified in the applicable Regulation as amended from time to time) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

viii. **"Ordinary Course of Business"** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association and activities incidental thereto.

ix. **"Related Party"** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 and Regulation 2(1)(zb) of SEBI (LODR) Regulations, 2015.

x. **"Policy"** means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.

xi. **"Related Party Transaction or transactions"** means-

➤ for the purpose of the Act, specified transactions of the Company with the Related Parties mentioned in clause (a) to (g) of Section 188(1) and Clause (iv) of section 177(4) of the Act:

➤ For the Purpose of Regulation 2(1)(zc) of the SEBI(LODR) Regulations, 2015, transfer of Resources, services or Obligations between the Company and Related Party, Regardless of whether a price is charged. A "Transaction" with a Related Party be construed to include single transaction in a contract.

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

a. Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or



b. Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023.

Regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract. Provided that the following shall not be a related party transaction

- Provided that this definition shall not be applicable for the units issued mutual funds which are listed on recognized stock(s)
- xii. "Relative" shall mean "relative" as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.

5) MATERIALITY THRESHOLDS:

In accordance with Regulation 23 of the SEBI (LODR) Regulations, 2015, the Company has formulated this Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors.

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

The Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which the Shareholders' approval will be required by way of a resolution.

Samtex Fashions Limited has fixed its materiality threshold at Rs. 1000 crore or ten percent of the annual consolidated turnover of the listed entity as per the last Audited Financial Statements of the listed entity, Whichever is lower , for the purpose of Regulation 23 of the SEBI (LODR) Regulations, 2015.

However, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Five percent of the Annual Consolidated Turnover of the Company as per the last Audited Financial Statements of the Company.

6. Material Modifications

Following will be treated as material modifications:

- More than 20% change in payment/ consideration terms
- Extension of agreement tenure for more than one year
- Any other term, which Audit Committee / Board deemed or decided as a material modification.

7. Policy

- Procedure



A. Identification of Potential Related Party Transactions:

- For the purpose of identification of Potential Related Party Transactions, each director and Key Managerial Personnel shall give notice of disclosure of interest on an annual basis and upon any subsequent modifications in the last disclosure provided. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.
- The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year

B. Review and approval of Related Party Transactions:

Audit Committee approval:

1. As per Regulation 23 of the Listing Regulations and Section 177 of the Companies Act, 2013, all the Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made there under or Listing Regulations from time to time.

RPTs where subsidiary is a party but listed entity is not a party, prior approval of the audit committee of the Listed Entity is required where the transactions exceed:-

- 10% of the Consolidated turnover of the listed entity
- 10% of the standalone turnover of the subsidiary w.e.f April 1, 2023.

Any member of the Audit Committee who has a potential interest in any Related Party Transactions will abstain from discussion and voting on the approval of the Related Party Transaction.

Omnibus Audit Committee approval:

The Audit Committee may grant omnibus approval for Related Party Transactions provided it is satisfied that there is a need to grant such approval and the same is in the interest of the Company. Such approval may be granted by Audit Committee for the proposed transactions subject to the following:

- Transactions are repetitive/frequent in nature;
 - Transactions are conducted at Arm's Length basis;
 - Transactions are in the ordinary course of business;
- ii) Such omnibus approval shall specify the following:

Name/s of the related party,

- Nature of transaction
- Period of transaction
- Maximum amount of transaction that can be entered into



- The indicative base price/current contracted price and the formula for variation in the price if any and
- Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/amended. Any proposed variations/amendments to these factors shall require a prior approval of the Audit Committee.

iii) Provided that where the need for related party transaction cannot be foreseen and the 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.

iv) The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the same.

Board of Directors and Shareholders' approval:

In accordance with Section 188 of the Companies Act, 2013 and Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

➤ **Board of Directors and Shareholders' approval in terms of Companies Act, 2013:**

All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors.

Provided the transactions as prescribed below shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder:

Transaction covered	Transaction value Sale
Sale Purchase or supply of any goods or materials directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*	Amounting to 10 % or more of Net Worth
Leasing of property of any kind*	Amounting to 10 % or more of Turnover
Availing or rendering of any services directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration > Rs. 2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	>1% of Net Worth



* The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution.

In addition to the above, the following kinds of transactions with Related Parties will also be placed before the Board for its approval:

- Transactions which may be in the Ordinary Course of Business and at Arm's Length Basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/ or other parameters), will require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the Ordinary Course of Business and/ or at Arm's Length Basis and decides to refer the same to the Board for approval;
- Transactions which are in the Ordinary Course of Business and at Arm's Length Basis, but which in the Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down in Clause 5 of the Policy, which are intended to be placed before the Shareholders for approval.

The Agenda of the Board Meeting at which the Resolution is proposed to be moved for approval of the Related Party Transaction shall disclose the following details:

- i. the name of the Related Party and the nature of relationship;
- ii. the nature, duration and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement, including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of contract;
- vi. 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
- vii. any other information relevant or important for the Board to take a decision on the proposed transaction.

While assessing a proposal put up before the Audit Committee/ Board for approval, the Audit Committee/ Board may review the following documents/ seek the following information from the Management in order to determine if the transaction is in the Ordinary Course of Business and at Arm's Length or not:

- Name/s of the Related Party/ Relatives;
- Nature of the transaction i.e. details of goods or property to be acquired/ transferred or services to be rendered/ availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;



- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis like Market Analysis, Research Report, Industry Trends, Business Strategies etc.

➤ **Approval of the Shareholders of the Company**

All the transactions with Related Parties meeting the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the Shareholders for approval.

For this purpose, 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.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- a. are not in the ordinary course of business and at arm's length basis; and
- b. exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the Shareholders for its approval.

8. Exemption from obtaining approval in terms of the Listing Regulations

In terms of Regulation 23 of the Listing regulations, following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

- i. Transactions entered with other Government Companies;
- ii. Transactions entered with its wholly owned subsidiary, if any, whose accounts are consolidated with Samtex Fashions Limited.
- iii. Transactions entered into interse wholly-owned subsidiaries of Samtex Fashions Limited., if any, whose accounts are consolidated with Samtex Fashions Limited.

However, an approval of Audit Committee and Board of Directors/ Shareholders (to the extent applicable), as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Companies Act, 2013 read with the Rules made thereunder.

The Company shall avail exemptions grated under section 188, 177 of Companies Act, 2013 and/or the applicable provisions of The SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended from time to time and after fulfilling conditions and requirements specified therein

9) AMENDMENT IN LAW:

In any subsequent amendment/ modification in the Listing Agreement and/or applicable laws in this regard shall automatically apply to this Policy.



10) DISCLOSURES:

Samtex Fashions Limited shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with Related Parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, Samtex Fashions Limited shall also provide details of all Related Party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the Stock Exchanges where it is listed.

This Policy shall be uploaded on the website of Samtex Fashions Limited at www.samtexfashions.com and a web link thereto shall be provided in the Annual Report of the Samtex Fashions Limited

