

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 10, 2025.

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 the Company shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with the above requirement.

3. Applicability

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

Revised Related Party Transactions Policy shall be effective from February 10, 2025.

4. Definitions

- i. "Act": Act shall mean the Companies Act, 2013 and Rules made 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 are unrelated, so that there is no conflict of interest, as defined in Explanation (b) to Section 188 (1) of the Companies Act, 2013.
- iii. "Associate Company": means Associate Company as defined in Section 2(6) of the Companies Act, 2013.
- iv. "Audit Committee": means "Audit Committee" constituted by the Board of Directors of the Company under the provisions of SEBI (LODR) Regulations, 2015 and Companies Act, 2013, as may be amended from time to time.
- v. "Board" or "Board of Directors": means Board of Directors of Samtex Fashions Limited as constituted from time to time.



- vi. **“Directors”**: Means a person as defined in Section 2(34) of the Companies Act, 2013.
- vii. **“Key Managerial Personnel (KMP)”**: Means “Key Managerial Personnel” as defined under Section 2(51) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, and other applicable rules as amended from time to time.
- viii. **“Material Related Party Transaction”**: 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 or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- ix. **“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.
- x. **“Policy”**: means Policy on Materiality of related party transactions and also on dealing with Related Party Transactions.
- xi. **“Related Party”**: means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards and Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2015.
- xii. **“Related Party Transaction” or “Transactions”**: Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements with a Related Party with respect to:-
- (a) sale, purchase or supply of any goods or materials;
 - (b) selling or otherwise disposing of, or buying, property of any kind;
 - (c) leasing of property of any kind;
 - (d) availing or rendering of any services;
 - (e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - (g) underwriting the subscription of any securities or derivatives thereof, of the company.

Further, as per SEBI (LODR) Regulations, 2015, “related party transaction” means a transaction involving a transfer of resources, services or obligations between:



(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity 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 listed entity 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 transactions as mentioned in the first proviso of clause 2(1)(zc) of Listing Regulations shall not be treated as a related party transaction.

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on recognised stock exchanges.

xiii. “**Relative**”: As per Section 2(77) of the Companies Act, 2013, 'relative', with reference to any person, means anyone who is related to another in the following manner —

- a. as members of a Hindu Undivided Family;
- b. as husband and wife;
- c. Father including the step-father.
- d. Mother including the step-mother.
- e. Son including the step-son.
- f. Son's wife.
- g. Daughter.
- h. Daughter's husband.
- i. Brother including the step-brother.
- j. Sister including the step-sister

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 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 rupees **one thousand crore or ten per cent of the annual consolidated turnover** of the company 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 transaction(s) to be entered into individually or taken together with previous transactions during financial year, exceed five percent of the annual consolidated turnover of listed entity as per the last audited financial statements of the company.



6. Material Modifications

Following will be treated as material modifications:

- More than 20 percent change of existing limit 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 KMP shall give list of their relatives and notice of disclosure of interest, whether direct or indirect, in any firm, company or body corporate or other association of individuals:

- (i) at the time of appointment;
- (ii) on an annual basis or as required by applicable law; and
- (iii) 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.

B. Review and approval of Related Party Transactions:

Audit Committee Approval:

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit committee in a manner, as may be prescribed under the Companies Act or Listing Regulations.

RPTs where subsidiary of listed entity 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 percent of the annual standalone turnover of such subsidiary w.e.f April 1, 2023.

Only those members of the audit committee, who are independent directors, shall approve related party transactions.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall rescue himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

Remuneration and sitting fees paid by the Listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall no require prior approval of Audit Committee provided the same is not material as per materiality threshold.



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.

A. Such approval may be granted by the Audit Committee for the proposed transactions subject to the following:

- i. The Audit Committee shall satisfy itself regarding the need for omnibus approval and ensure that such approval is in the interest of the Company;
- ii. The omnibus approval shall be applicable in respect of transactions which are repetitive in nature;
- iii. The transactions are proposed to be entered in the ordinary course of business and at arm's length basis. While assessing a proposal, the Audit Committee may seek justification/documents from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not.
- iv. Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.
- v. Omnibus approval by the Audit Committee shall not be applicable for following transactions, including but not limited to:-
 - Granting of Term Loan to a Related Party;
 - Sale or purchase of moveable or immoveable property;
 - Purchase or Sale of shares in a Related Party;
 - Selling or disposing of the undertaking of the Company; or
 - Any other transaction as the Audit Committee deems necessary, to be falling outside the scope of omnibus approval.

B. Such omnibus approval shall specify:-

- (i) the name(s) of the related party, nature and duration of transaction, maximum amount of transactions that can be entered into, in aggregate in a year, maximum value per transaction which is allowed,
- (ii) the indicative base price / current contracted price and the formula for variation in the price if any, and
- (iii) such other conditions as the Audit Committee may deem fit.

However, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding one crore per transaction.

C. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year

D. In case of any transaction, other than transactions referred to in Section 188 of the Companies Act, 2013 and where Audit Committee does not approve the



transaction, it shall make its recommendations to the Board or Members as may be required according to subsequent provisions of this policy.

In case, there is any conflict between this policy and the applicable laws including clarifications etc., the matter shall be considered in view of the applicable laws including clarifications etc.

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:

▪ **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 recommended 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 limit
(i) Sale, purchase and supply of any goods or materials, directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company
(ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Amounting to 10% or more of net worth of the Company
(iii) Leasing of property of any kind	Amounting to 10% or more of turnover of the Company
(iv) Availing or rendering of any services, directly or through appointment of agent	Amounting to 10% or more of the turnover of the company
(v) Appointment of any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs 2.5 lacs
(vi) Remuneration for underwriting the subscription of any securities or derivative	Exceeding 1 % of net worth

Explanation- It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for 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 kind of transactions with related parties will also be placed before the Board for its approval:

- Transaction 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 for



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 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 is 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 shareholder 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 transactions;
- 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 etc.

➤ Approval of the Shareholders of the Company

All material related party transactions and subsequent material modifications, as laid down in clause 5 and clause 6 respectively, of this policy, shall require prior approval of the shareholders through resolution and no related party shall vote



approve such resolutions whether the entity is a related party to the particular transaction or not.

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

- are not in the ordinary course of business and not at arm's length basis; and
- exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014

shall be placed before the Shareholders for their approval.

8. Exemptions 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:

- Transactions entered into between two public sector companies.
- Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- Transactions entered into between two wholly - owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand

However, an approval of the Audit Committee and the 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.

9. Post-Facto Ratification of Related Party Transactions

In case if Related Party Transactions is not approved (prior / omnibus) by the audit committee, then the members of the audit committee, who are independent directors, may ratify that Related Party Transaction within three months from entering into the transaction (or) in the immediate next meeting of audit committee, whichever is earlier, provided the value of the Related Party Transactions, whether entered individually or taken together, shall not exceed rupees one crore in a financial year, the Related Party Transactions is not-material in nature and rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification.

In case there is a failure to seek ratification of the audit committee, then such transaction will be voidable at the option of the audit committee and if the transaction is with a



related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

10. 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.

11. 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 transactions.

The Company shall disclose to the stock exchanges, where it is listed, the details of related party transactions on half yearly basis, in manner and as per timelines set out in the Listing Regulations from time to time.

In case there is any ratification of Related Party Transactions, the Company shall disclose the same to the stock exchange along with the details of other related party transactions in terms of the provisions of sub-regulation (9) of regulation 23 of SEBI (LODR).

Further the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, KMP or senior management, except who is part of promoter or promoter group, shall not require disclosure provided that the same is not material in terms of clause 5 of this policy.

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

