



SAI SILKS (KALAMANDIR) LIMITED

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH
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1. PREFACE

Sai Silks (Kalamandir) Limited (*the Company*) recognizes the fact that Related Party Transactions, while being driven by the business requirements of an organization and being an essential part of any business ecosystem, also possess inherent potential of conflict-of-interest vis a vis the persons in control of the organization, thus deserving extra care, caution and transparency in their conduct and reporting. It needs to be ensured that the Related Party Transactions are carried out without any discrimination, which may result in undue favour or advantage to any related party, whether directly or indirectly. It also needs to be ensured that Related Party Transactions are conducted with requisite approvals, which may be in the form of Audit Committee approval, Board approval or members approval, depending upon the nature and value of such transaction, as contemplated under the Companies Act, SEBI Listing Regulations, Accounting Standards or under any other applicable law. Further, it needs to be reported and disseminated in a true, fair, timely and prescribed manner.

In this backdrop, the Board has framed a Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions as contemplated under Regulation 23 of SEBI (LODR) Regulations, 2015, containing the thresholds, the approval and disclosure mechanisms etc.

2. PURPOSE

2.1 The policy is intended to:

- provide guidance to the Officers and Directors of the Company to help them recognize and deal with actual or apparent conflicts of interests.
- avoid undue enrichment to any person dealing with the Company.
- instill transparency in dealings with related parties.
- set guidelines as regards disclosures of transactions with related parties.

This policy is framed in accordance with the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirement) 2015 to ensure appropriate

approvals and reporting of transactions between the Company and its related party.

3. DEFINITIONS

- 3.1 **“Applicable Law”** includes (a) the Act and rules made thereunder, as amended from time to time; (b) the SEBI LODR Regulations, as amended from time to time; (c) Indian Accounting Standards; and (d) any other statute, law, standards, regulations or other governmental circulars, notifications or instructions (including circulars, notifications and guidance issued by the Securities and Exchange Board of India from time to time) relating to Related Party Transactions as may be applicable to the Company.
- 3.2 **“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.
- 3.3 **“Company”** means Sai Silks (Kalamandir) Limited, (CIN: L52190TG2008PLC059968)
- 3.4 **“Key Managerial Personnel”** Section 2 (51) defines Key Managerial Personnel as—
- (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-time Director;
 - (iv) the Chief Financial Officer; and
 - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - (vi) such other officer as may be prescribed;”
- 3.5 **“Material related party transaction”** means a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds **Rupees One Thousand Crores** or **Ten Percent** of the annual consolidated turnover of the company as per the last audited financial statements of the company **whichever is lower**.
- 3.6 **“Related party”**
- a. **As per Companies Act, 2013;**
- Section 2(76) defines a related party as:
- (i) a director or his relative,
 - (ii) a Key Managerial Personnel or his relative;
 - (iii) a firm, in which a director, manager or his relative is a partner;
 - (iv) a private company in which a director or manager or his relative is a member or director;

- (v) a public company in which a director or manager is a director or and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
 - (C) an investing company or the venture of a company;
- (ix) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party

b. **SEBI (LODR) Regulations, 2015:** Regulation 2 (zb)

“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.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares of ten per cent or more in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party.

3.7 **“Related party transaction”** means a transaction involving 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.

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:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- b. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c. acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

3.8 **“Relative”**, Section 2 (77) defines relative as—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed (*Father includes step-father, Mother includes the step-mother, Son includes the step-son, Son’s wife, Daughter & Daughter’s husband*)

3.9 **“Turnover”** turnover means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year;

3.10 **“Net worth”** means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of Profit and Loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation

Explanation: The Turnover or Net Worth referred above shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

4. IDENTIFICATION OF RELATED PARTIES AND THE RELATED PARTY TRANSACTIONS.

- 4.1 Every Director and Key Managerial Personnel (KMP) of the Company and its subsidiaries shall,
- a. at the time of appointment;
 - b. annually; and
 - c. whenever there is any change in the information already submitted,

provide requisite information about his / her Relatives and all firms, entities, body corporates, in which such director or KMP is interested, whether directly or indirectly, to the Company Secretary of the Company or the subsidiary (as the case may be). Every such director and KMP shall also provide any additional information about the transaction, that the Board /Audit Committee may reasonably request.

- 4.2 Each subsidiary shall furnish an updated list of its Related Parties to the Company.
- 4.3 On the basis of the above, a consolidated list of Related Parties shall be prepared in accordance with the provisions of the Act and SEBI LODR Regulations.
- 4.4 Potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a proposal with details as per clause 6.2 of this Policy, shall be submitted for requisite approval.
- 4.5 The subsidiaries shall, from time to time, provide to the Company, information of any proposed Material Related Party Transactions and any Material Modification(s), for the purpose of obtaining requisite approvals from the Company.
- 4.6 The subsidiaries shall provide to the Company, on a half-yearly basis, information regarding the transactions entered into with any of the Related Parties of the Company, or with any of its subsidiaries, for making required disclosures to the stock exchanges.

5. APPROVAL OF RELATED PARTY TRANSACTIONS:

5.1 Approval of the Audit Committee

- 5.1.1 All RPTs between the Company and its Related Parties, and any modifications therein, shall require prior approval of the Audit Committee.
- 5.1.2 RPTs to which a subsidiary of the Company is a party, but the Company is not a party ('Other RPTs'), shall require prior approval of Audit Committee of the Company, if the value of the transaction (whether entered into individually or taken together with previous transactions, during a financial year) exceeds the statutory limits prescribed in the SEBI LODR (ten percent of the annual standalone turnover as per the latest audited financial statements of the subsidiary).
- 5.1.3 The Audit Committee may grant omnibus approval for the RPTs of the Company which are routine and repetitive in nature and which satisfy the criteria for omnibus approvals, as prescribed under the Act or the SEBI LODR.
- 5.1.4 Where the need for the RPT cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- 5.1.5 Such omnibus approval shall be based on the criteria specified in clause 6.1 of this

Policy.

- 5.1.6 Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval, before the expiry of the approval period.
- 5.1.7 Only Independent Directors, who are members of the Audit Committee shall approve the RPTs. In case such Independent Director is interested in any potential RPT, then he/she shall abstain from voting when such transaction is being considered.
- 5.1.8 In case the Audit Committee does not approve any transaction, it shall make its recommendations on such RPTs to the Board.
- 5.1.9 The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs of the company, on an annual basis.

5.2 Approval of the Board of Directors

- 5.2.1 Subject to Clause 5.4, the following RPTs shall require additional, prior approval of Board of Directors:
 - i. All transactions between the Company and its Related Parties which are not in the Ordinary Course of Business, or not proposed to be executed as an Arm's length transaction.
 - ii. Transactions which are not approved by the Audit Committee, or in the opinion of the Audit Committee, need special consideration / determination by the Board.
 - iii. Where it is mandatory under any law for Board to approve such transactions, or where the Board, suo-moto chooses to review such RPTs.
 - iv. RPTs in which the promoters, promoter group, directors, and KMPs of the Company are concerned or interested.
- 5.2.2 Where any director is concerned or interested in any potential RPT, such director shall abstain from discussion and voting when such transaction is being considered.

5.3 Approval of the Shareholders of the Company.

- 5.3.1 Subject to Clause 5.4, the following RPTs and subsequent Material Modifications thereto, shall be subject to prior approval of shareholders of the Company, by way of a resolution.
 - i. All Material Related Party Transactions; and
 - ii. RPTs which require approval of the shareholders, as per provisions of the Act and the rules made thereunder.
- 5.3.2 No Related Party shall vote to approve such a resolution, irrespective of whether the entity is a Related Party to the particular transaction or not.
- 5.3.3 The Audit Committee and the Board shall approve and recommend all Material Related Party Transactions, before submitting the same for approval of the shareholders of the Company.

5.4 Exemptions

The following RPTs shall be exempt from the requirement of prior approval of the shareholders, under clause 5.3:

- i. transactions between and among the wholly owned subsidiary(ies) and the Company, whose accounts are consolidated with the Company, if such transactions are in the Ordinary Course of Business or executed as Arm's length transaction
- ii. transactions between and among two or more wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company

6. PROCEDURE AND CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS

6.1 The criteria for granting omnibus approval for the RPTs is as follows:

- 6.1.1 The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year shall not exceed 25% of annual consolidated turnover of the Company (as per the last audited financial statement);
- 6.1.2 The maximum value per transaction which can be allowed for RPTs under omnibus route, will be up to 5% of the annual consolidated turnover;
- 6.1.3 While assessing any proposal, the Audit Committee may review the documents / seek information from Management of the Company, or get clarification or opinion as per clause 6.2 of this Policy;
- 6.1.4 The transactions undertaken pursuant to omnibus approval, shall be reviewed by the Audit Committee on a quarterly basis;
- 6.1.5 The following transactions will not be eligible for the omnibus approval and shall be approved by the Approving Authority, on case-to-case basis:
 - i. Transactions which are not repetitive in nature;
 - ii. Transactions involving sale or disposal of an undertaking of the Company
 - iii. Transactions involving sale or disposal or assignment of any significant or critical asset of the Company
 - iv. Transactions which require shareholder approval, under Clause 5.3 of this Policy; and
 - v. Transactions which require specific approval of the Board, under the terms of this Policy, the Act and rules made thereunder.

6.2 For the purpose of procuring approval of the Audit Committee or the Board (as the case may be), the Company Secretary shall submit a proposal for approval of the RPTs, containing the following information;

- 6.2.1 Name of the Related Party and nature of relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- 6.2.2 Nature, tenure of the transaction and details of the transaction;
- 6.2.3 Material terms of the transaction including the value;
- 6.2.4 The percentage of the Company's annual consolidated turnover for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- 6.2.5 If the transaction relates to any loan, inter-corporate deposit, advances or investment, made or given by the Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction

- ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
 - nature of indebtedness
 - cost of funds; and
 - tenure
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured (if secured, the nature of security); and
 - iv. the purpose for which the funds will be utilized;
- 6.2.6 Justification as to why the transaction is in the interest of the Company;
- 6.2.7 A copy of the valuation or other external party report, if any such report has been relied upon;
- 6.2.8 Percentage of the counter-party's annual consolidated turnover, that is represented by the value of the proposed transaction (to be provided on a voluntary basis);
- 6.2.9 Confirmation /opinion as per clause 6.4 of this Policy; and
- 6.2.10 Any other information which is relevant or important, or as may be required by the Board/Audit Committee to take decision on the proposed transaction.
- 6.3 In determining whether to approve an RPT, the Committee shall inter-alia consider the following factors, to the extent relevant to the matter:
- 6.3.1 Whether the proposed transaction is in the best interest of the Company.
 - 6.3.2 Whether the terms of the proposed transaction are fair and it is an Arm's length transaction.
 - 6.3.3 Whether the proposed RPT is permissible under the provisions of Applicable Laws
 - 6.3.4 Whether such contract or arrangement is proposed to be entered into on terms no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances;
 - 6.3.5 Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any.
 - 6.3.6 Whether the proposed transaction includes any potential reputational risk issues.
 - 6.3.7 Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, or a subsidiary of the Company, to extent of the director or KMP's interest in such contract or arrangement.
- 6.4 Audit Committee and /or the Board can rely on following:
- For approval of a RPT or ratification or any Material Modification in the approved terms of a RPT, the following opinions from an external consultant, or such other officer as may be approved by the Audit Committee, shall be submitted to the Audit Committee or the Board (as the case may be), along with the proposal:
- i. Whether the transaction is in the Ordinary Course of Business;
 - ii. Whether the transaction is an Arm's length transaction,
- Provided that the person submitting the above referred opinion or certificate should not be interested in the proposed transaction either directly or indirectly.

7. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

Without prejudice to clause 5.1.10, the following procedure ought to be followed in case prior approval for a RPT is not obtained from the applicable authority:

- 7.1 In the event, the Company becomes aware of a RPT that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Committee, or the Board, or

the Shareholders ('Approving Authority' for the purpose of this Policy) as may be required in accordance with this Policy, for review and ratification.

- 7.2 The Approving Authority shall, consider all relevant facts and circumstances relating to such transaction and decide such action as it may consider appropriate, including ratification, revision or termination of the Related Party Transaction. The decision of the Approving Authority, shall be binding under all circumstances.
- 7.3 Audit Committee may, at its discretion, examine the internal controls and the reasons for failure in reporting/ obtaining prior approval of such RPT and direct the management to strengthen the internal controls for dealing with RPTs.

8. APPROVAL FOR SPECIFIC RPTs

- 8.1 The following transactions or arrangements, which are specifically dealt with under separate provisions of the Act or the SEBI LODR and executed under separate approvals/procedures of the competent authority of the Company (i.e. shareholders, Board, or a Board Committee), shall be deemed to have been approved under this Policy, in compliance with provisions of Applicable Laws:
- 8.1.1 Payment of remuneration to KMPs and other employees
 - 8.1.2 Payment of remuneration, fees, commission, etc. to directors
 - 8.1.3 Share-based incentive plans including Stock Options and ESARs to the directors, KMPs, and other employees
 - 8.1.4 Any benefits, interest arising to Related Party solely from the ownership of Company shares, which is at par with other shareholders, including dividends, subdivision, consolidation, issuance of securities by way of rights or bonus issue, and buyback of securities
 - 8.1.5 Issue of specified securities on a preferential basis, subject to the compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
 - 8.1.6 Financial assistance in the form of investment or loan or guarantee or creating security
 - 8.1.7 Spends towards Corporate Social Responsibility.

9. DISCLOSURES & REPORTING

- 9.1 This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.
- 9.2 A summary statement of RPTs approved by the Audit Committee shall be submitted to the Audit Committee on quarterly basis for information, review and noting.
- 9.3 The RPTs shall be disclosed to the stock exchanges, on the website of the Company and in other statutory documents, in accordance with Applicable Laws.

10. REVIEW AND AMENDMENTS

- 10.1 The Audit Committee shall review this Policy at least once in three years, or as may be otherwise prescribed by the Audit Committee/ Board from time to time.

10.2 Based on the recommendations of the Audit Committee, the Board may review or amend this Policy at any time without any prior intimation and lay down further rules or procedures, to give effect to this Policy.

10.3 Notwithstanding anything contained in Clause 10.1, the Company Secretary jointly with either, the Chief Financial Officer or the Managing Director, is authorized to amend the Policy to give effect to any changes / amendments notified by Ministry of Corporate Affairs or SEBI w.r.t. transactions with Related Party, from time to time. Such amended policy shall be placed before the Audit Committee and the Board, for noting and ratification.