

**POLICY ON MATERIALITY OF
& DEALING WITH
RELATED PARTY TRANSACTIONS**

KITEX

Kitex Garments Limited

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1. TITLE

The policy shall be called Policy on "Materiality of and Dealing with Related Party Transactions".

2. COMMENCEMENT

This policy shall come into force with immediate effect.

3. SCOPE AND PURPOSE OF THE POLICY

Related Party Transactions have been one of the major areas of focus for Corporate Governance reforms being initiated by the government.

The changes introduced in the Corporate Governance norms through the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time require the companies to have enhanced transparency and due process for approval of Related Party Transactions.

Also, Regulation No. 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires a company to formulate a policy on materiality of Related Party Transactions and dealing with Related Party Transactions. In light of the above, the Company has framed this Policy on Related Party Transactions. This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

Going forward, the Audit Committee would review and amend the Policy, once in every 3 years and updated accordingly subject to the approval of the Board.

4. OBJECTIVE

The objective of this Policy is to set out

- (a) The materiality thresholds for related party transactions and;
- (b) The manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 as amended from time to time and any other laws and regulations as may be applicable to the Company.

5. DEFINITIONS

- "**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.



- **“Associate Company”** – means Associate Company as defined under Sec 2(6) of the Companies Act, 2013.
- **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with applicable law, including the SEBI (LODR) Regulations, 2015 and the Companies Act, 2013 as amended from time to time.
- **“Board”** means Board of Directors of the Company.
- **“Company”** means Kitex Garments Limited
- **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- **“Key Managerial Personnel” or “KMP”** means Key Managerial Personnel as defined under the Company Act, 2013.
- **“Material Related Party Transaction”** means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the latest audited financial statements of the Company or such limits as may be prescribed in the SEBI (LODR) Regulations, 2015 as amended from time to time. (as defined in Explanation to Regulation 23 (1) of SEBI Listing Regulations)

Notwithstanding the above, a transaction involving payments made to a related with respect to brand usage or royalty shall be considered material if the transaction(s) go be entered into individually or taken together with previous transactions during the financial year exceed 2% of Annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- **“Policy”** means Policy on Materiality of and Dealing with Related Party Transactions as amended from time to time.
- **“Related Party”** in relation to the Company, means a party related with the Company in any of the ways as are laid down in Section 2(76) of the Companies Act, 2013 and Regulation 2 (zb) of SEBI (LODR) Regulations, 2015 as amended from time to time.
- **“Related Party Transaction”** in relation to the Company means a transaction with related party under relevant provisions of the Companies Act, 2013 or Regulation

2(zc) of SEBI (LODR) Regulations, 2015 or any other regulated law, regulation or standard.

- **“Relative”** means relative as defined under Section 2(77) the Companies Act, 2013.
- **“SEBI Listing Regulations”** shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any statutory modification thereof.

All other words and expressions used in this policy but not defined here, shall have same meaning as respectively assigned to them in the Companies Act, 2013, the SEBI Act, 1992, the Securities Contract (Regulation) Act, 1956, the Depositories Act, 1996, Accounting Standard or any other relevant legislation/ law as applicable to the Company.

6. APPROVAL OF RELATED PARTY TRANSACTIONS:

Every Related Party Transactions entered into shall be with the prior approval of the Audit Committee.

In the case of regular/ repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval/ omnibus approval. The committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

- a. the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- c. the omnibus approval shall specify:
 - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - 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:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval



for such transactions subject to their value not exceeding rupees one crore per transaction.

- d. the Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

The Board shall approve such Related Party Transactions as are required to be approved under the Companies Act, 2013 and/ or SEBI (LODR) Regulations, 2015 as amended from time to time and/or transactions referred to it by the Audit Committee.

Where any Director is interested in any related transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such transaction.

Further, all material Related Party Transactions shall require approval of shareholders of the Company through Ordinary Resolution (unless it is exempted pursuant to the provisions of SEBI (LODR) Regulations, 2015 as amended from time to time) and the related parties shall not vote to approve such resolution(s) whether the entity is related party to particular transaction or not.

All Related Party Transaction (other than Material Related Party Transactions) pursuant to the provisions of Section 188 of the Companies Act, 2013 which are not in the ordinary course of business and not an Arm's length transactions and cross the threshold limits prescribed under the Companies Act, 2013 shall also require the prior approval of shareholders of the Company through Ordinary Resolution and related parties shall not vote to approve such resolution(s).

The Approval mechanism for related party transaction shall be as stipulated in the provisions of the SEBI (LODR) Regulations, 2015 as amended from time to time and/ or Companies Act, 2013 and as amended from time to time.

7. Amendments

The Board shall have the power to amend any of the provisions of this policy, substitute any of the provisions with new provision or replace this policy with entire new policy.



8. Disclosures

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Companies Act, 2013 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 including Material Contracts or Arrangement or Transactions at arm's length basis. In addition to the above, details of all material transactions entered into with related parties shall be disclosed quarterly along with the compliance report on corporate governance and also in the Board's Report. The Company Secretary and the Chief Financial Officer shall be responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

9. Interpretations

In case of any dispute or difference upon the meaning/interpretation of any word or provisions in this Policy, the same shall be referred to the Audit Committee and the decisions of Audit Committee in such a case shall be final. In interpreting such term or provisions, Audit Committee may seek help of any of the officers of the Company or an outside expert as it deems fit.

Feb 14, 2019
Kizhakkambalam

(Chairman - Board of Directors)

Note

1. The Policy was adopted by the Board and thereafter amended on January 30, 2017

For Kitex Garments Limited

Company Secretary