

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



## **1. TITLE**

The policy shall be called Policy on Materiality of Related Party Transactions 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 (ie. Listing Regulations), 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, as and when required, 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 Listing Regulations 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.

- **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with applicable law, including the Listing Regulations and the Companies Act, 2013
- **“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”** means a key managerial personnel as defined under the Company Act, 2013.
- **“Material Related Party Transaction”** means an RPT with thresholds as prescribed under the Listing Regulations.
- **“Policy”** means this Policy as amended from time to time.
- **“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.
- **“Material Modification(s)”** shall mean any of the following:
  - a) Any modification in the terms of an existing Related Party Transactions resulting in financial implication to the extent of 30% or more of the value of such RPT or Rupees Twenty Five Crores whichever is higher;
  - b) Any RPT ceasing to be on arm’s length basis;
  - c) Any other criteria as may be determined by the Audit Committee on case-to-case basis.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the Listing Regulations, as amended from time to time.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

## **6. IDENTIFICATION OF RELATED PARTIES AND THE RELATED PARTY TRANSACTIONS**

Every promoter, director and key managerial personnel (KMP) of the Company and its Subsidiaries/ Joint venture shall,

- a. at the time of appointment;
- b. periodically – as required by the Company
- 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 promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/ Joint venture (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Board /Audit Committee may reasonably request.

## **7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

Approval of Related Party Transactions

### **A. AUDIT COMMITTEE**

All the transactions which are identified as Related Party Transactions and subsequent modifications thereof, shall be approved by the Audit Committee in the manner specified under the Listing Regulations. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders, as detailed in subsequent paragraphs.

The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions and material modifications thereof, entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

A Related Party Transaction entered into by the Company, which is not under the Omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

The Audit Committee shall also pre-approve related party transactions, where the Company is not a party, but the Company's subsidiary is a party, if the value crosses the thresholds as prescribed under the Listing Regulations.

## **B. BOARD OF DIRECTORS**

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

## **C. SHAREHOLDERS**

If a Related Party Transaction is (i) a material transaction as per Regulation 23 of the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, then such RPT and any subsequent material modification thereto, shall require shareholders' approval by a resolution. In such a case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.

**EXEMPTION**

The provisions of regulation 23(2), (3) and (4) shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary and between two wholly-owned subsidiaries, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

**GENERAL PROVISIONS**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/regulations. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

**REPORTING OF RELATED PARTY TRANSACTIONS**

Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The details of all transactions with related parties shall be submitted, in the format specified, half yearly to the stock exchanges, as per the manner and timelines set-out in the Listing Regulations and the same shall be published on the Company's website.

**8. 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.

## **9. Interpretations**

Any words used in this Policy but not defined here shall have the same meaning ascribed to it by the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI (LODR) Regulations, 2015 as amended from time to time, Accounting Standard or any other relevant legislation/ law applicable to the Company.

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.

This Policy was amended by the Board of the Directors at its Meeting dated 20.04.2023 and shall come into immediate effect.

Kizhakkambalam  
20.04.2023

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(Chairman – Board of Directors)

Last Revision Date : 11.02.2020

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