



## **POLICY ON RELATED PARTY TRANSACTIONS**

**ZODIAC CLOTHING COMPANY LIMITED**

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The Board of Directors (the “Board”) of Zodiac Clothing Company Limited (“ZCCL” or “the Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee of the Board of Directors will review the policy from time to time and recommend such changes therein as deemed necessary after appropriate deliberation. The Board may amend this policy suo motu, or on recommendations of the Audit Committee from time to time. This policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company Objective.

### **I. Purpose:**

This policy is framed in compliance with the requirements of Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations, 2015”) as amended and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Policy also endeavours compliance with the provisions of Companies Act, 2013, and the applicable Accounting Standard in relation to transactions with related parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

### **II. Definitions and Applicability:**

Words and expressions used in the policy shall have the meaning as given below:

“**Act**” means Companies Act, 2013.

“**Accounting Standard**” means the Indian Accounting Standard 24, as notified by the ICAI, as applicable on date including any amendment / modification thereto from time to time and /or any other Standard notified by ICAI or any other Authority including MCA, as may be applicable.

“**Arm’s length price**”, would have the meaning as defined by the Companies Act 2013, and rules made there under and judicial and other pronouncements, as applicable from time to time and shall mean a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.

“**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 or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations, 2015 and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

“**Control**” means Control as defined under the Companies Act 2013 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and as amended thereto and shall include the right to appoint majority of directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreement or voting agreements or in any other manner.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes: (i) Managing Director, or Chief Executive Officer or manager and in their absence, a Whole-time Director; (ii) Company Secretary; (iii) Chief Financial Officer; (iv) 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 (v) Such other officer as may be prescribed.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. 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 transaction(s) 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.

**“Ordinary course of business”** would have the meaning as defined by the Companies Act 2013, and rules made there under and judicial and other pronouncements, as applicable from time to time and shall mean & include the habit system and continuity of an act required to satisfy the test of regular or ordinary course of business.

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means related party as defined in Regulation 2(zb) of the Listing Regulations, 2015, which inter alia provides that an entity shall be considered as related to the Company if: a. such entity is a related party u/s 2(76) of the Companies Act, 2013; or b. such entity is a related party under the applicable accounting standards; or c. any person or entity belongs to the promoter or promoter group of the listed entity and holds 20% or more shareholding in the listed entity.

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and shall be construed to include a single transaction or a group of transactions in a contract and shall also mean any contract or arrangement 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.

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if – a) They are members of a Hindu undivided family; b) They are husband and wife; c) Father (including step-father); d) Mother (including step-mother); e) Son (including step-son); f) Son's wife; g) Daughter; h) Daughter's husband; i) Brother (including step-brother); and j) Sister (including step-sister).

**“Senior Management Personnel”** shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief

Financial Officer.

The definitions abovesaid for the observance of the Policy by the Company and its Board (including Committee/s thereof), shall be subject to exercise of the statutory powers of the Regulatory Authorities with respect to repeal or alteration or addition to their respective meaning as prescribed by or under Companies Act 2013, the SEBI Act, and any other applicable laws for the time being in force.

### **III. Dealing with Related Party Transactions**

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee and / or the Board of Directors of the Company in accordance with this policy. In dealing with Related Party Transactions, the Company will follow the following approach:

#### **A. Identification of Related Party Transactions**

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.

All Directors, Members of the Management Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, Members of the Management Committee and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

#### **B. Process & guidelines for Related Party Transaction**

All Related Party Transactions shall require prior approval of Audit Committee.

Further, all Material Related Party Transactions shall require approval of the shareholders through ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

The Company shall enter into any contract or arrangement with a Related Party subject to the following conditions, namely:

A. The agenda of the Committee / Board meeting at which the resolution is proposed to be moved shall disclose:

a. The name of the related party and nature of relationship

- b. The nature, duration of the contract and particulars of the contract or arrangement alongwith justification
- c. The material terms of the contract or arrangement including the value, if any
- d. Any advance paid or received for the contract or arrangement, if any
- e. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
- f. 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
- g. Any other information relevant or important for the Board to take a decision on the proposed transaction

B. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

C. A Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into requires the prior approval of the Company by an ordinary resolution in terms of Section 188 of the Companies Act, 2013.

a. As contracts or arrangements w.r.t. clauses (a) to (e) of section 188(1) of the Act as also envisaged under the definition clause (a) to (e) of Related Party Transaction, with criteria, as mentioned below:

i. Sale, purchase or supply of any goods or materials directly or through appointment of agents amounting to 10% or more of the annual turnover of the Company, as mentioned in clause (a) and clause (e) respectively of section 188(1) of the Act.

ii. 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 of the Company as mentioned in clause (b) and (e) respectively of section 188(1) of the Act.

iii. Leasing of property of any kind amounting to 10% or more of the turnover of the Company as mentioned in clause (c) of section 188(1) of the Act.

iv. Availing or rendering of any services, directly or through appointment of agents amounting to 10% or more of the turnover of the Company as mentioned in clause (d) and (e) of section 188(1) of the Act.

However, it is hereby clarified that the limits specified in sub clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transaction during a financial year.

b. Appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. 2.5 Lakh as mentioned in clause (f) section 188(1) of the Act and as also envisaged under the definition clause (f) of Related Party Transaction; or

c. Contract or arrangement in respect of remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding 1% of the net worth as mentioned in clause (g) section 188(1) of the Act and as also envisaged under the definition clause (g) of Related Party Transaction.

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

- D. The requirement of passing the shareholder's resolution as mentioned above shall not be applicable for transaction(s) entered into between the Company and its Wholly Owned Subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- E. The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars namely: a. Name of the related party; b. Name of the director or key managerial personnel who is related, if any; c. Nature of relationship; d. Nature, material terms, monetary value and particulars of the contract or arrangement; and e. Any other information relevant or important for the members to take a decision on the proposed resolution.

## **B. Review and Approval of Related Party Transactions**

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee of the Company in accordance with this policy.

Unless otherwise stated in this policy, all Related Party Transactions require prior approval of the Audit Committee of the Company. All Related Party Transactions must be reported to the Company Secretary who shall submit the same for approval or ratification by the Audit Committee in accordance with this policy.

The Audit Committee shall grant omnibus approval to Related Party Transactions that are:

- a. Repetitive in nature; and/or
- b. Entered in the ordinary course of business and are at Arm's Length.

The expression Arm's Length has the meaning ascribed to it under Section 188 of the Companies Act, 2013. Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- (a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
- (b) If the transaction to be entered into with a Related Party is concerning technology transfer, intellectual property or specialized services that are proprietary in nature;
- (c) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at Arm's Length and in ordinary course of business;
- (d) Such omnibus approval shall specify (i) the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative value and the formula for variation in the value, if any and (iii) such other conditions as the Audit Committee may deem fit;

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 on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval.

In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by

circulation, after satisfying itself that such transaction is in the interest of the Company.

Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee in exceptional circumstances only.

A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse him or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. Any member of the Board who has a potential interest in such Related Party Transaction will recuse him or herself and abstain from voting on the approval of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 read along with the rules framed thereunder and Listing Regulations, 2015 in force (as amended from time to time)

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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, in so far as the same are not in conflict with the provisions of the Listing Regulations, 2015 in force (as amended from time to time):

- a. Any 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.
- b. Any transaction entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.
- c. Any transaction arising out of compromise, arrangement and amalgamation dealt with under specific provisions of the Act.

### **C. Material Related Party Transaction**

All Material Related Party Transactions shall be placed for prior approval of shareholders through Ordinary Resolution. However, the Material Related Party Transactions entered between ZCCL and its wholly owned subsidiaries shall not require prior approval of shareholders.

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 exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

## Disclosure(s)

Details of all Material Related Parties Transactions shall be disclosed, on quarterly basis, along with the compliance report on corporate governance, to the Stock Exchanges.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide weblink in the Annual Report. In addition to the disclosures required under Accounting Standard, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

### **D. Related Party Transactions not pre-approved under this Policy**

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 matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options The Policy has been approved by the Board of Directors on 12<sup>th</sup> February, 2020 available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In the event the committee decides to ratify the contract or arrangement, such contract or arrangement must be ratified within three months from the date on which the contract or arrangement has been entered into by the Board or the Shareholders as the case may be.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy

### **E. Amendments to the Policy**

The Audit Committee of the Company shall review and may amend this policy from time to time, subject to the approval of the Board of Directors of the Company.

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

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*The Policy has been approved by the Board of Directors on 12<sup>th</sup> February, 2020*