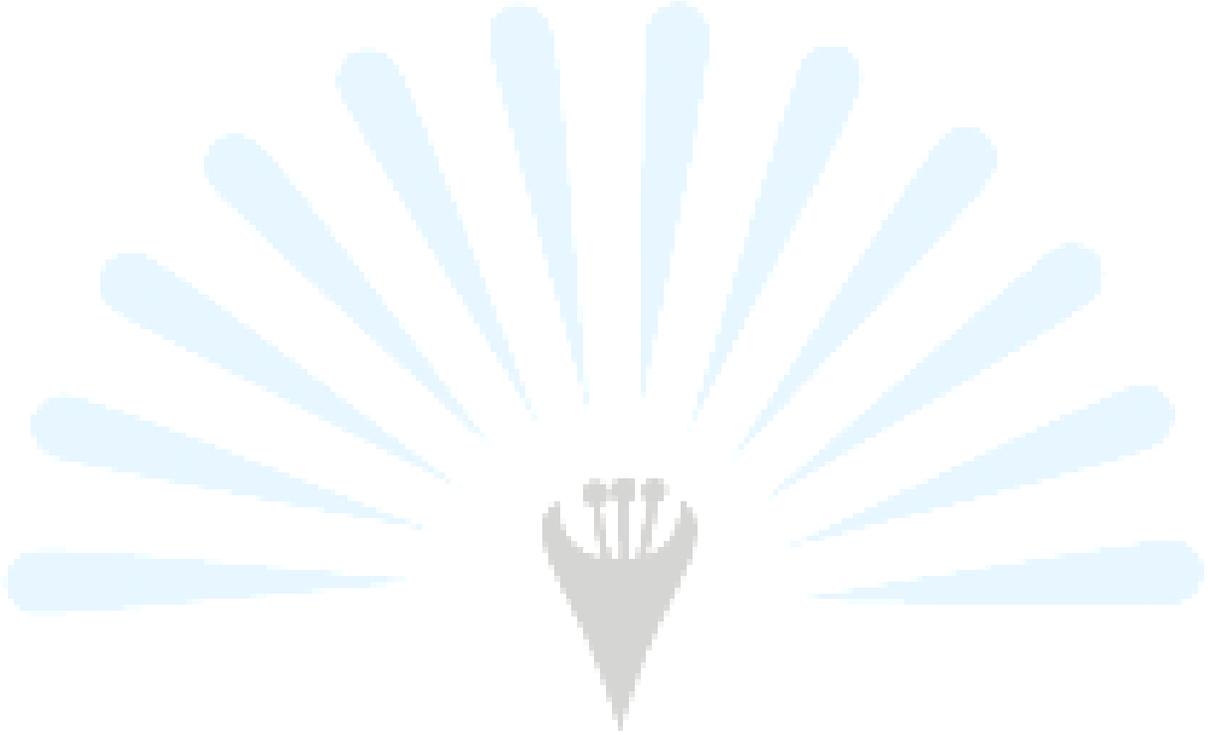




**VISHAL FABRICS LIMITED**



**RELATED PARTY TRANSACTION**  
**POLICY**

## INTRODUCTION:

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of Related Party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors of Vishal Fabrics Limited has adopted a policy and standard operating procedures to regulate transactions between the Company and Related Parties.

## SCOPE OF POLICY

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons.

## OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

## DEFINITIONS

1. "**Act**" means the Companies Act, 2013

2. **“Regulation 23”** means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
3. **“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
4. **“Relative”** means any person who is related to director or KMP as defined in section 2(77) of the Act and rules prescribed thereunder
5. **“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
6. **“Related Party Transaction”** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, including but not limited to the following –
  - 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. appointment to any office or place of profit in the company
  - g. underwriting the subscription of any securities or derivatives thereof, of the company
7. **“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. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines
8. **“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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

### **MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

### **MANNER OF DEALING WITH RELATED PARTY TRANSACTION**

#### **Identification of Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

### **PROCEDURE FOR REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

- **Approval of Audit Committee**

Every Related Party Transaction entered shall be subject to approval of Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

a.) For Granting Omnibus Approval, the Audit Committee lay down criteria in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;

b.) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

c.) Such omnibus approval shall specify the following details:

- Name(s) of the Related Party;
- Nature of the transaction;
- Period of transaction;
- Maximum amount of transaction that can be entered into;
- The indicative base price / current contracted price and the formula for variation in the price, if any, and Such other conditions as the Audit Committee may deem fit.

d.) In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1.00 crore per transaction;

e.) The Audit committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given;

f.) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

g.) Transactions of following nature which shall not be subject to omnibus approval of the audit committee:

1. Transactions which are not at Arm's length price or not in the ordinary course of business.
2. Transactions which are not repetitive in nature
3. Transactions exceeding materiality thresholds as laid down in Regulation 23 of the SEBI Listing obligation
4. Financial transaction e.g. loans to related party , inter corporate deposits , subscription to bond , debenture or preference shares issued by the related parties, corporate guarantees given/received from related party .
5. Transactions in respect of selling or disposing of the undertaking of the company
6. Any other transaction the audit committee may deem not fit for omnibus approval.
  - **Approval of 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 rescue himself and abstain from discussion and voting on the approval of the related party transaction.

- **Approval of Shareholders**

If a related party transaction is (i) a material transaction as per as per regulation 23 of SEBI LODR, 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, it shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is a related party, shall not vote on resolution passed for approving such related party transaction.

### **REPORTING OF RELATED PARTY TRANSACTIONS**

Every contract or arrangement, which is required to be approved by the Board/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.

### **REVIEW OF THE POLICY**

The Board of Directors reserves the power to review and amend this policy from time to time.

### **AMENDMENTS**

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy, at any time consistent with requirements of applicable laws, rules and regulations.

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