

# **SURYALAKSHMI COTTON MILLS LIMITED**

## **POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. INTRODUCTION**

This Policy on Related Party Transactions (hereinafter referred to as “Policy”) of Suryalakshmi Cotton Mills Limited (hereinafter referred to as “the Company”) and the amendment to this Policy, if any, by the Board of Directors of the Company or any committee thereof shall be effective from the date on which it is notified from time to time.

The Company always been committed to best corporate governance practices and this Policy is prepared for ensuring compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Industry Standards specified by Securities Exchange Board of India (SEBI) and such other regulatory provisions, as may be applicable for seeking approvals for related party transactions.

### **2. OBJECTIVE**

The Policy is framed to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval / ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties. The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to accord fairness in the treatment of related party transactions.

### **3. DEFINITIONS AND INTERPRETATIONS**

“**Act**” means the Companies Act, 2013 and rules made there under as amended from time to time.

“**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**”, shall have the same meaning as specified under section 2(6) of the Act.

“**Audit Committee**” means a committee of the Board of Directors of the Company constituted under provisions of the Act and Listing Regulations.

“**Board**” shall mean Board of Directors of the Company.

“**Company**” means Suryalakshmi Cotton Mills Limited.

“**Control**” as defined under the Act includes the right to appoint majority of the 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 agreements or voting agreements or in any other manner.

“**Industry Standards**” shall mean the Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for approval of Related Party Transaction (RPTs)” as notified by SEBI vide its circular dated June 26, 2025, as amended from time to time.

“**Listing Regulations**” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

“**Key Managerial Personnel**” shall have the meaning ascribed to the term under Regulation 2(1)(o) of the Listing Regulations read with Section 2(51) of Act, each as amended from time to time.

“**Material Modification in Related Party Transaction**” means any modification exceeding 20% change in price of the transaction, contract or arrangement approved by the Audit Committee or Board or shareholders as the case may be, or such modification as may be decided by the Audit Committee.

“**Material Related Party Transaction(s)**” 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 the thresholds specified in Schedule XII of listing regulations as per the last audited financial statements of the Company. In case of transaction involving payment to a related party for brand usage or royalty, it will be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“**Related Party**” means a related party as defined under Section 2(76) of the Act or under the applicable accounting standards. Further, any person or entity forming a part of the promoter or promoter group of the listed entity or any person or any entity, holding equity shares of ten percent or more in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year shall also be deemed to be a related party.

“**Related Party Transaction(s)**” / “**RPT(s)**” shall have the meaning ascribed to the term in Regulation 2(1)(zc) of the Listing Regulations and includes the transactions contemplated under Section 188(1) of the Act.

Following shall not be considered Related Party Transaction in terms of Listing Regulations:

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;
- iv. buy-back of securities; and

v. such other transactions as may be specified by SEBI or any other statutory or regulatory body from time to time.

c) Retail purchases from the Company or its subsidiary by the directors or key managerial personnel of the listed entity or its subsidiary and relatives of such directors or key managerial personnel without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

“**Relative**” means relative as defined under the provisions of Section 2(77) of the Act and applicable rules made thereunder.

“**Senior management**” shall have the meaning ascribed to the term in Regulation 16(1)(d) of the Listing Regulations.

“**Turnover**” shall have the same meaning as specified under section 2(91) of the Companies Act, 2013.

“**Wholly Owned Subsidiary**” when a company holds 100% of shares of another company, the other company is called a Wholly Owned Subsidiary of the company who has made 100% investment in it.

Any other term not defined herein shall have the same meaning as defined in the Act, Listing Regulations or any other applicable law or regulation, each as amended from time to time.

#### **4. DETERMINING “ORDINARY COURSE OF BUSINESS”**

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course of business.

#### **5. ASCERTAINING “ARMS’ LENGTH” IN RELATED PARTY TRANSACTIONS**

The expression “arms’ 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.

A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.

The Company shall produce evidence to the satisfaction of the Audit Committee for complying with the said procedure, as and when applicable as required.

## **6. PROCESS OF IMPLEMENTATION OF THE POLICY**

### **A. Identification of related parties**

The Company shall:

- (a) Identify and keep on record Company's related parties considering the requirements of applicable regulations and the disclosures and declarations received from time to time from the Directors and KMPs of the Company.
- (b) Update the record of related parties whenever necessary and changes in the list of related parties will be brought to the attention of the Board at least on a quarterly basis.

### **B. Identification of related party transactions**

- (a) Each Director / Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or his relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer, in consultation with other members of management and with the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- (b) Every Director / Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such discussion.
- (c) Where any Director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, shall disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- (d) A contract or arrangement entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Audit Committee / Board / shareholders of the Company as may be applicable.
- (e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matters incidental thereto and to refer it to the appropriate authority for approval.

(f) Any Director / Key Managerial Personnel who has been convicted of the offence dealing with RPTs at any time during the last preceding five years shall be disqualified for appointment as Director / Key Managerial Personnel, as the case may be.

### **C. Materiality Thresholds**

The Board of the Company has prescribed the below materiality thresholds for RPTs beyond which approval of the shareholders through a resolution shall be required:

#### **I. As per Listing Regulations:**

Any transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds specified below:

<b>Consolidated Turnover of Listed Entity Threshold</b>	<b>Threshold</b>
Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

Provided that thresholds limits to be considered as per the last audited financial statements of the Company.

Notwithstanding the above, 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 transactions during a financial year, exceed 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.

#### **II. As per the Act:**

RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

<b>Category of Transaction</b>	<b>Threshold</b>
Sale, purchase or supply of any goods or materials directly or Threshold 10% or more of the turnover through appointment of agent	10% or more of the turnover
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	10% or more of the net worth
Leasing of property of any kind	10% or more of the turnover
Availing or rendering of any services directly or through appointment of agent	10% or more of the turnover

Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding INR 2.5 lakh
Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth

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

The Company shall place all the information, as specified in Industry Standards read with the provisions of Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI or any other authority from time to time, for review of the Audit Committee and in the Explanatory Statement to the notice being sent to shareholders seeking their approval for proposed Related Party Transactions as applicable.

##### **1. Approval of the Audit Committee:**

a) All the Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee. A transaction where the Company on one hand and any other person or entity on the other hand are the parties, the purpose and effect of which is to benefit a related party of the Company shall also require audit committee approval.

b) Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

c) RPTs in the nature of remuneration and sitting fees paid by the Company to its director, key managerial personnel or senior management, except who is part of promoter or promoter group shall not require approval of the audit committee provided that the same is not material.

d) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and Central Government or State Government or any combination thereof on the other hand shall not require approval of the audit committee.

e) Omnibus approval

The Company may obtain omnibus approval from the Audit Committee for RPTs where the Company is a party.

- The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (either in the past or in the future).
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions, in aggregate, that can be entered into in a year, maximum value per transaction which can be allowed, maximum value of transaction

during the year (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 RPT cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction.

- 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 approvals given.
- Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

f) For each related party transaction identified, the arm's length criteria is to be followed by the Company while entering into transactions falling under contracts and agreements with related parties and will maintain necessary documents for the same.

g) While assessing a proposal put up before the Audit Committee for approval, the Audit Committee shall review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Type, nature, material terms and particulars of the proposed transaction.
- Name of the related party and its relationship with the Company including nature of its concern or interest (financial or otherwise).
- Tenure of the proposed transaction (particular tenure shall be specified).
- Value of the proposed transaction.
- The percentage of the Company's annual turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.
- If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company:
  - 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 by the ultimate beneficiary of such funds pursuant to the RPT.
- Justification as to why the RPT is in the interest of the Company.

- A copy of the valuation or other external party report, if any such report has been relied upon.
- Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis.
- Minimum Information to be placed before the Audit Committee as required under the Industry Standards as prescribed from time to time and
- Any other relevant information or such information as may be prescribed under Listing Regulations.

h) In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

## **2. Approval of the Board of Directors of the Company:**

a) As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/ or at arms' length.

b) In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which, as per the Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval.
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval.
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.

c) Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

## **3. Approval of the Shareholders of the Company:**

a) All Material RPTs and any material modifications thereto are to be placed before the shareholders for approval as per the provisions of the Listing Regulations.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for approval.

b) The requirement for seeking Shareholders' approval shall not be applicable for the following cases:

- Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and Central Government or State Government or any combination thereof on the other hand.
- Transactions in respect of resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

c) No related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

d) The following information shall be provided to the shareholders while seeking their approval for RPTs:

- A summary of the information provided by the management of the Company to the audit committee.
- Reasons/justification for why the proposed transaction is in the interest of the Company.
- Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company, the details specified under:
  - 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
- applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security and
- the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

e) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders.

f) The Company shall provide the information as may be specified by SEBI from time to time, including the information pursuant to the Industry Standards, to the shareholders in the notice / explanatory statement for approval of the proposed RPT and

g) Any other relevant information or such information as may be prescribed under Listing Regulations.

## **7. RATIFICATION OF RELATED PARTY TRANSACTIONS**

a) In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the RPTs and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPTs to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

b) Further, in case any transaction involving any amount not exceeding ₹ 1 crore is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and which is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction will be voidable at the option of the Audit Committee and if the transaction is with a related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

c) Audit Committee may, within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, ratify the transaction subject to the following conditions:

- the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore.
- the transaction is not material.
- rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification.
- the details of ratification shall be disclosed to the stock exchanges along with the half-yearly report.
- any other condition as specified by the Audit Committee.

d) In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Board or shareholders, payment of compensation for the loss suffered by the related party, etc. If the transaction is with a related party to any director or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it. In connection with any review/approval of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

e) Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a

related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

f) Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

## **8. DISCLOSURES**

The Company is required to disclose this Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.

Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.

Appropriate disclosures as required under the Act and the Listing Regulations shall be made in the Annual Report, Board's Report and to the Stock Exchanges.

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

## **9. AMENDMENT**

If the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy until this Policy is changed to conform to the law, rule, regulation or standard.

Note: The provisions of the Companies Act, 2013 and rules thereto and the LODR Regulations to the extent applicable, shall be applicable in addition to this Policy.