

S. P. APPARELS LIMITED

Policy on Related Party Transactions

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1. Scope and Purpose of the policy

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 read with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "**Listing Regulations**"), S. P. APPARELS LIMITED has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Further, Regulation 23 of the Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, S. P. APPARELS LIMITED ("Company") has framed this Policy on Related Party Transactions ("Policy"). 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 adoption by the Board.

3. Objective of the policy

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.

In order to ensure timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws, including the Companies Act, 2013 and the Listing Regulations, the board of directors of the Company (the "**Board**") has adopted this Policy.

4. Definitions

4.1 4.2 "**Arm's Length Transaction**" means a transaction between two related parties that is conducted in a manner as if they were unrelated, so that there is no conflict of interest.

4.3 "**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 of Association and Articles of Association. The Board of Directors and Audit Committee of the Company may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

4.4 "**Company**" means S. P. APPARELS LIMITED

4.5“**Relative**” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

4.6 “**Related Party**” have the meaning as defined in Section 2(76) of Companies Act, 2013 and the accounting standards entered into by the Company with the Stock Exchanges.

4.7“**Related Party Transaction**” means any transaction involving transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged, including but not limited to the following –

- I. sale, purchase or supply of any goods or materials;
- II. selling or otherwise disposing of, or buying, property of any kind;
- III. leasing of property of any kind;
- IV. availing or rendering of any services;
- V. appointment of any agent for purchase or sale of goods, materials, services or property;
- VI. appointment to any office or place of profit in the company

Explanation: A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

4.8“**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. “

4.9“**Key Managerial Personnel**” or “**KMP**” shall have the meaning as defined in Companies Act 2013

“Stock Exchanges” shall mean the BSE Limiter and the National Stock Exchange of India Limited.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contract (Regulation) Act, 1956 or any other applicable law or regulation.

5. Materiality Thresholds

Regulation 23 of the Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required S P APPARELS LIMITED 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 the Listing Regulations.

6. Manner of dealing with Related Party Transaction

6.1 Identification of Related Parties

S. P. APPARELS LIMITED has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Companies Act, 2013 read with the Rules framed there under and the Listing Regulations.

6.2 Identification of Related Party Transactions

S. P. APPARELS LIMITED has formulated guidelines for identification of Related Party Transactions in accordance with Section 188 of the Companies Act, 2013 and Regulation 23 of the Listing Regulations. S P APPARELS LIMITED has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external domain expert professional opinion, if necessary.

6.3 Procedure for approval of Related Party Transaction

6.3.1 Approval of the Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee and the Audit Committee may make omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions, namely:-

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, Related Party Transaction entered into by the company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall while specifying the criteria for making omnibus approval, consider (a) repetitiveness of the transactions (in past or in future) and (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: –
 - (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into which shall not exceed Rs.1 crore per transaction;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction: Provided that where the need for Related Party

Transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (7) Any other conditions as the Audit Committee may deem fit.”

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may 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:

i. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

ii. Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;

iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

iv. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

a) market analysis, research report, industry trends, business strategies, financial forecasts, etc.;

b) third party comparable, valuation reports, price publications including Stock Exchange and commodity market quotations;

c) management assessment of pricing terms and business justification for the proposed transaction;

d) comparative analysis, if any, of other such transaction entered into by the company

6.3.2 Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Companies Act, 2013, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

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

a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are 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;

b) 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;

c) 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

d) Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval

6.3.3 Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for approval.

For this purpose, 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.

In addition to the above, all kinds of transactions specified under Section 188 of the Companies Act, 2013 which (a) are not at Arm's Length or in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

7. Disclosures

S. P. APPARELS LIMITED 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.

In addition to the above, S. P. APPARELS LIMITED shall also provide details of all Related Party Transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the Stock Exchanges.

8. Related Party Transactions not approved under this policy

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 Related Party Transaction, 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 Related Party Transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction 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 shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the Related Party or S. P. APPARELS LIMITED as the case may be, etc. In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

DISCLOSURE AND REPORTING

Details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee and Board meeting. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given, if any.

The Company shall disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with Related Parties.

Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations.

The Policy shall be made available on the website of the Company at <http://www.spapparels.com> and a web link thereto shall be provided in the Company's annual report.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

AMENDMENTS

The Board in consultation with Committee will review this Policy from time to time based on the Related Party Transactions and make suitable modifications, as may be necessary

The terms of this policy are subject to the provisions of the Companies Act and the Listing Regulations and in the event of any inconsistency the provisions of the Companies Act and the Listing Regulations shall prevail.
