

# Policy On Materiality Of Related Party Transactions And On Dealing With Related Party

## Transaction

### 1. PREAMBLE

The Board of Directors (the "Board") of Ventura Textiles Limited ("Ventura Textiles Ltd" or "Company") has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to formulate a policy on materiality of related party transaction(s) and dealing with related party(ies). Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties, ensuring that transactions with Related Parties are, fully compliant with applicable Regulations. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

### 2. Objective of the Policy

This Policy is intended to ensure timely identification of an RPT, its salient terms and conditions, proper reporting, approval process and disclosure processes are in place for all transactions timely identification between the Company and Related Parties in compliance with the applicable laws and regulations as may be amended from time to time. This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. 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.

### 3. Definitions and Applicability

**"Act"** means Companies Act, 2013 and the Rules framed there under, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

**"Arm's length price"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length basis, guidance may be taken from the transfer pricing provisions under the Income tax Act, 1961.

**"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 from time to time under the provisions of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 and section 177 of the Companies Act, 2013.

**“Board”** means Board of Directors of the Company as defined under the Companies Act, 2013.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Key Managerial Personnel”** means key managerial personnel of the Company in terms of the Act and includes:

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- ii. Company Secretary; and
- iii. Chief Financial Officer.

**“Listing Agreement”** means Equity Listing Agreement of the Company with the Stock Exchange.

**“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 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

**“Policy”** means the current Policy on Related Party Transaction, including amendments, if any, from time to time.

**“Related Party”** means related party as defined in SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 which is as follows:

A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

**1. A person or a close member of that person's family is related to a company if that person:**

- a. is a related party under Section 2(76) of the Companies Act, 2013 and rules made thereof, which are as follows:
  - i. a director or his relative ;
  - ii. a key managerial personnel or his relative ;
  - iii. a firm, in which a director, manager or his relative is a partner ;
  - iv. a private company in which a director or manager (or his relative) is a member or director ;
  - v. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;
  - vi. any Body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;

vii. any person on whose advice, directions or instructions a director or manager is accustomed to act  
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Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

viii. any company which is –

a. holding, subsidiary or an associate company of such company ; or

b. subsidiary of a holding company to which it is also a subsidiary ;

ix. Director or key managerial personnel of the holding company or his relative with reference to a company; or

a. b. has control or joint control or significant influence over the company; or

b. is a key management personnel of the company or of a parent of the company; or

c. is a related party as per the applicable Accounting Standard(s); AS-18

**2. An entity is related to a company if any of the following conditions applies:**

a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or

b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or

c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or

d. Both entities are joint ventures of the same third party; or

e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;  
or

f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or

g. The entity is controlled or jointly controlled by a person identified in (1),

h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity);

**"Related Party Transaction"** means for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub section 1 of section 188, which means 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.

2. Related party transaction also includes a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single or a group of transactions in a contract.

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife ; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

This policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

### **3. Manner of Dealing with Related Party Transactions**

#### **I (i) Identification of related parties**

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed under regulation 23 of the Securities and Exchange Board of India ( Listing Obligations and Disclosure Requirements ) Regulations, 2015.

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this Policy. In dealing with Related Party Transactions, the Company will follow the following approach:

#### **I. (ii) Identification of potential Related Party Transactions**

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

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 Policy on Related Party Transactions

transaction and to refer it to the Audit Committee.

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

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 as prescribed 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;
- (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; However, in case of RPT which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1 crore per transaction.

Such omnibus approval shall be valid for a period not exceeding one financial 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.

All Related Parties shall abstain, by not being present in the meeting for discussion or in voting irrespective of whether the entity is a party to a particular transaction or not.

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 not remain present at the meeting or shall abstain from discussion and 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 material Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and rules framed there under and the SEBI (LODR) Regulations, 2015.

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.

### **III. Related Party Transactions that shall not require Approval**

Following transactions shall not require separate approval under this policy:

- Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company, Audit Committee or the Board;
- Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Equity Listing Agreement;
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

### **4. Material Related Party Transaction**

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) the following provision of the regulations, which is facilitating in nature, is applicable with immediate effect as notified on September 2, 2015.

“These pertain to passing of ordinary resolution instead of special resolution in case of all material related party transactions subject to related parties abstaining from voting on such resolutions, in line with the provisions of the Companies Act, 2013.”

All Material Related Party Transactions shall be placed for prior approval of shareholders through Ordinary Resolution. However, the Material Related Party Transactions entered between Ventura Textiles Limited and its wholly owned subsidiary whose accounts are consolidated with the Company shall not require prior approval of shareholders.

### **5. Disclosure(s)**

The Company shall disclose , in the Board’s report, transactions prescribed in section 188 (1) of the Act 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.

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.

## **6. Amendment 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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