

**POLICY ON
RELATED PARTY TRANSACTIONS**



ShineFashions(India) Ltd.

The latest trends in Interlinings

POLICY ON RELATED PARTY TRANSACTIONS

[Pursuant to the Regulation 46 (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Preamble

Shine Fashions (India) Limited recognizes that Related Party Transactions (as defined below) may pose potential or actual conflicts of interest and may raise questions whether such transactions are in the larger interest of the Company as well as the stakeholders concerned and in compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Scope and Purpose of the Policy

The Board of Directors of the Company upon the recommendation of Audit Committee has adopted this Policy on Related Party Transactions (hereinafter referred to as 'RPT'). The policy envisages the procedure governing Related Party Transactions required to be followed by Company to ensure compliance with the requirements under law.

The Audit Committee will review this Policy from time to time and propose the amendment required in the policy to the Board of Directors.

Definitions

"Subsidiary Company", in relation to any other company (that is to say the holding company), means a company in which the holding company—

(i) controls the composition of the Board of Directors; or

(ii) exercises or controls more than one-half of the ¹⁹[total voting power] either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause,—

(a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

(b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors;

(c) the expression "company" includes any body corporate;

(d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

"Associate Company" in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013.

"Board/Board of Directors" means the Board of Directors of the Company.

"Key Managerial Personnel" or "KMP" shall have the meaning referred to in the Companies Act, 2013

“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 such limit as prescribed herein below of the annual consolidated turnover of the Company as per the last audited financial statements of the Company in terms of the Listing Agreement in force from time to time.

“Ordinary Course of Business” means transactions that are necessary, normal and incidental to the business, the objects of the Company permit such activity, there is a historical practice and pattern of frequency (not an isolated transaction), has connection with the normal business carried on by the Company.

"Related Party", with reference to a company, means—

- (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 and 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 excluding advice, directions or instructions given in a professional capacity.
 - (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
 - (b) any person or any entity, holding equity shares of ten per cent or more in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”

“Relative” with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed, which is as follows:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

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, SEBI Act or any other applicable law or regulation.

Materiality Threshold

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.

The company has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

“A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.”

Material Modifications

A modification made in amount of RPT after its initial approval will be considered material if there is variation in the amount exceeding 10 percent of the total amount approved by the Audit Committee/ Board of Directors/ Members of the company.

Policy

All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity in accordance with this Policy.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

(a) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

(b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

All Material RPTs and subsequent material modifications shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions in accordance with the provisions of Companies Act 2013 and Listing Agreement as amended from time to time.

Provided however that the requirement of passing the resolution shall not be applicable for 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

Identification of RPTs

Each Director, “KMP” and other Related Party shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Audit Committee / the Board of any potential RPT involving him or her or his or her Relative together with additional information about the RPTs that the Audit Committee / the Board reasonably request.

The Audit Committee / the Board shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy.

Review and approval of RPTs

RPTs shall be referred to the next regularly scheduled meeting(s) of Audit Committee for its review and approval; and

The Audit Committee, in order to review a RPT, shall be provided with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Criteria for approving RPTs

The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- Name of party and nature of relationship;
- Nature of transaction and material terms thereof including duration of transaction and the value of transaction;
- the manner of determining the pricing to ascertain whether the same is on arm's length; and
- Business rationale for entering into such transaction

Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

Omnibus Approval

Audit Committee is authorised to grant omnibus approval for related party transactions as provided under section 177(4)(iv) of the Act read with rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, and regulation 23(3) of the Listing Regulations. Such omnibus approval may be granted for contracts exceeding one year; provided that the contract value shall be subject to fresh approval of Audit Committee on annual basis. Further, the Audit Committee shall consider and approve the omnibus approval based on the following criteria:

(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.
- (f) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -repetitiveness of the transactions (in past or in future);
- (g) justification for the need of omnibus approval.

(2) 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.

- (3) 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;
 - (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.

(4) 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.

(5) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

(6) Any other conditions as the Audit Committee may deem fit.

RPTs that do not require review of Audit Committee

(i) Any transaction involving in providing of compensation to a director, KMP or their relatives in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses, lease rental charges and other charges incurred in the ordinary course of business; and

(ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro-rata as the Related Party.

RPTs not approved under this Policy

If a RPT is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the RPT.

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

Disclosures

The Policy on Related Party Transaction shall be disclosed on the website of the Company and a web link thereto shall also be provided in the Annual Report of the Company.

This policy may be reviewed, amended and approved from time to time by the Board of Directors of the Company upon the recommendation of the Audit Committee.