



STYLAM INDUSTRIES LIMITED RELATED PARTY TRANSACTIONS

1. Scope and purpose of the policy

The Company is committed to practicing the maximum transparency in the conduct of Related Party Transactions in sync with its corporate governance philosophy based on the objective of continuing ethical conduct in fulfilling its responsibilities and recognizes that Related Party Transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

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 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”) and as amended from time to time, Stylam Industries Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

The Audit Committee may, if thought fit, review and amend the Policy, as and when required, subject to the approval of the Board. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, SEBI (LODR), accounting standards and all other applicable laws, as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this policy.

2. Objectives of the policy

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act and Regulation 23 of the SEBI Listing Regulations or any other laws and regulations as may be applicable to the Company.

3. Definitions

“Act” means the Companies Act, 2013

“SEBI Listing Regulations” means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.

“Regulation 23” means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“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.

"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. (Section 188 of the Companies Act, 2013)

"Company" means Stylam industries Limited.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

"Control" 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. (Section 2(27) of the Companies Act, 2013)

"Relative" means relative as defined under Section 2(zd) of the SEBI LODR and Section 2(77) under the Companies Act, 2013.

"Key Managerial Personnel" means, [Section 2(51) of the Companies Act, 2013]

- Chief Executive Officer or Managing Director or Manager;
- Company Secretary;
- Whole Time Director;
- Chief Financial Officer; and
- Such other officer as may be prescribed.

"Material Related Party Transaction" Regulation 23 of Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. Presently, the Company has fixed its materiality threshold at 10% (ten percent) of the annual consolidated turnover of the Company as per last audited financial statements of the company.

In case of payment to a Related Party for brand usage or royalty the materiality, threshold will be 5% (Five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company."

In case of any change in the materiality thresholds by way of amendment in the Listing Regulations the revised thresholds will be applicable automatically.

"Policy" means Related Party Transaction Policy.

"Related Party" means related party as defined under Section 2(zb) of the SEBI LODR and Section 2(76) of the Companies Act, 2013.

"Related Party Transaction" means 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 transaction or a group of transactions in a contract, including but not limited to the followings

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- appointment to any office or place of profit in 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 and as amended from time to time.

4. Applicability

This Policy shall be applicable to transactions, covered under Section 188 of the Companies Act, 2013 or which are related party transactions under the Income Tax Act, 1961 or under the SEBI LODR, when made with:-

- Board of Directors & their Relatives,
- Key Managerial Personnel (KMP) of the Company and their Relatives, and
- Other Related Parties, as defined herein.

5. Material 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. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party (RP) to the particular transaction or not [RP can cast only negative vote to reject the shareholders resolution on material Related Party Transactions (RPT)].

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

Other transactions with a Related Party – exceeding 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

6. Procedure for approval of related party transactions

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the following:-

I. Approval of Audit Committee

- i. All related party transactions will be placed for prior approval of the Audit Committee.
- ii. The Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the Company based on the criteria as approved by the Board of Directors, from time to time, subject to the following conditions:
 - (i) The Audit Committee shall satisfy itself that the transactions are repetitive in nature and that such approval is in the interest of the company;

(ii) The Omnibus approval shall provide: -

- a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b) the indicative base price/current contracted price and any probable variation thereto;
- c) such other conditions as the Audit Committee may deem fit;

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- iii. 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; and
- iv. such omnibus approval shall be valid for a maximum period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

II. Approval of Board of Directors of the Company

All transactions specified under Section 188 of the Act and which are not in the ordinary course of business or not at an arm's length basis, will be placed before the Board for its approval.

III. Approval of the Shareholders of the Company

- i. All the transactions with related parties, meeting the materiality thresholds shall be placed before the shareholders for approval.
- ii. For this purpose, all entities falling under the definition of related parties shall not vote to approve irrespective of whether the entity is a party to the particular transaction or not
- iii. In addition to the above, all transactions specified under Section 188 of the Act which are not in the ordinary course of business or at arm's length basis and exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended, are to be placed before the shareholders for its approval.
- iv. As provided in Regulation 23 of Listing Regulations the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders for approval.

7. Disclosures

- The Company shall also disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not on an arm's length basis along with the justification for entering into such transaction.
- In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold, on a quarterly basis along with the compliance report on Corporate Governance to the stock exchanges.
- The Company shall on half yearly basis submit within 30 days from the date of publication of its standalone and consolidated financial results, disclosures of related party transactions on a consolidated basis, in

- the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

- The Company shall disclose in the Corporate Governance report, transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results effective from April 01, 2019.

8. Non-compliance of policy

If a related party transaction is entered into by the Company without being approved under the policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and all options available to the Company including ratification, revision or termination of the 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 the Policy, and take such action as it may deem appropriate.

A related party transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after any Officer/Director of the Company becomes aware of such transaction.

In a case where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee may direct additional actions including, but not limited to immediate discontinuation of the transaction. In connection with such review, the Audit Committee has the authority to modify or waive any procedural requirements of the Policy.

9. Amendments

This Policy may be amended, modified or substituted by the Audit Committee subject to the approval of the Board. In case of any amendment to the provisions relating to related parties in the Act and the Rules made thereunder or the Listing Regulations, this Policy shall stand amended/modified accordingly. However, the policy has to be reviewed at least once in every three years.

10. Conflict with statutory provisions

In case of any conflict of any terms of the Policy with the Act and/or the Listing Regulations the provisions of the Act and/or the Listing Regulations shall prevail.