



Shahlon
Silk Industries Ltd.

SHAHLON SILK INDUSTRIES LIMITED
(CIN: L17120GJ2008PLC053464)

Policy on Materiality of Related Party Transactions
and
on dealing with Related Party Transactions

(Amended and approved on February 12, 2025)

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1. PREAMBLE

The Board of Directors (the “Board”) of Shahlon Silk Industries Limited (the “Company” or “SSIL”), has adopted the Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions, pursuant to the provisions of Section 177, 188 and other applicable provisions of the Companies Act, 2013 and rules made thereunder and any subsequent modifications, amendments or re-enactment thereto (the “Act”) and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, and any subsequent modifications, amendments or re-enactment thereto (the “Listing Regulations”), in order to ensure transparency and procedural fairness of such transactions.

2. OBJECTIVE

This Policy regulates all transactions between the Company and its Related Parties (as defined below). This policy is intended to ensure proper approval, disclosure, and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its Stakeholders.

3. DEFINITIONS

“**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 the Board of Directors of the Company constituted under the provisions of Section 177 of the Companies Act, 2013 and as per Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**Board**” means Board of Directors of the Company.

“**Key Managerial Personnel**” means Key Managerial Personnel as defined in sub-section (51) of Section 2 of the Companies Act, 2013;

“**Listing Regulation(s)**” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment thereto;

“**Material Related Party Transaction**” means 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 crores or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

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% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material Modification” shall mean and include any modification to an existing related party transaction having variance of 20% or more of the existing limit.

“Policy” means Related Party Transaction Policy or any amendment thereto.

“Relative” means relative as defined under sub-section (77) of Section 2 of the Companies Act, 2013 and rules prescribed thereunder.

“Related Party” means Related Party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 read with rules framed thereunder and Regulation 2(1)(zb) of the Listing Regulations or under the applicable accounting standards.

“Related Party Transaction” means transaction as defined in clause (zc) of sub-regulation of Regulation 2 of the Listing Regulations, including all amendments and modifications thereof from time to time.

“Transactions in the Ordinary course of business” mean transactions or contracts or arrangements or activities that are connected to or necessary for the business of the Company and satisfy the following principles:

- Permitted under the Memorandum and Articles of Association of the Company;
- Carried on a frequent or regular basis or as per the industry practice;
- The terms of which are similar to those which would be otherwise applicable to transactions with unrelated parties; and
- Meet any other parameter/ criteria as decided by the Board/ Audit Committee.

Words and expressions used in this Policy but not defined herein shall have the same meaning ascribed to them in the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, as amended from time to time.

4. POLICY

In accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, as amended from time to time, all proposed Related Party Transactions will be reviewed and approved by the Audit Committee, Board of Directors and/or Shareholders of the Company, as the case may be and disclosed by the Company.

5. Identification of Potential Related Party Transactions

- a. Each Director and Key Managerial Personnel are responsible for providing written notice to the Audit Committee of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Audit Committee may reasonably request. The Audit Committee 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/her 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 Meeting.
- 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/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first Meeting of Board held after he/she 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 Company.
- e. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction and other matters incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

6. Procedures for review and approval of Related Party Transactions

1) Prior Approval of Audit Committee

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company. Provided that only those Members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

➤ Omnibus Approval of Audit Committee

The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

- a) The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the best interest of the Company;
- c) Such omnibus approval shall specify –
 - (i) the name(s) of the related party, nature of the transaction, period of the transaction, maximum amount of transaction that can be entered into;
 - (ii) the indicative base price/current contracted price along with the formula of variation in price, if any; and
 - (iii) such other conditions as the Audit Committee deem fit:
Provided that where the need for related party transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1,00,00,000/- (Rupees One Crore) per transaction.
- d) 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 approvals given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

2) Approval of the Board of Directors

As per the provisions of Section 188 of the Companies Act, 2013, all kinds of related party transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are to be placed before the Board. In addition to the above, the following kinds of transactions with the related party are also to be 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 are, as per the policy of the Board as determined from time to time require the approval of the Board in addition to the approval of the Audit Committee;
- Transactions which the Audit Committee is unable to determine are in the ordinary course of business and/or at arm's length and decides to refer the same to the Board for its approval;
- Transactions which are in the ordinary course of business and at arm's length, but which in the opinion of the Audit Committee, require the approval of the Board; and

- Material Related Party Transactions are intended to be placed before the shareholders for approval.

3) Approval of the Shareholders

All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders through Resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not.

All kinds of transactions specified under Section 188 of the Act which exceeds the thresholds laid down in the Companies (Meetings of the Board and its Powers) Rules, 2014 are to be placed before the shareholders for its approval.

7. Related Party Transaction not approved under this policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) 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;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of regulation 23 of the Listing Regulations;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of regulation 23 of the Listing Regulations;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction 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(s) concerned shall indemnify the listed entity against any loss incurred by it.

8. Disclosures

The Company shall comply with all reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws including the Companies Act, 2013 and Listing Regulations.

The Company shall disclose this policy relating to Related Party Transactions on its website and a web link shall be provided in the Annual Report.

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

9. Amendment

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

This policy (including the thresholds) shall be reviewed by the Board of Directors at least once in three years and/or as and when required for making suitable amendments and update accordingly.
