



ZENITH FIBRES LIMITED

Related Party Transaction Policy

A. SCOPE

Related Party Transactions (RPT) 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 RPT 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, the Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all RPT. Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of RPT and dealing with RPT. In light of the above, the 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 will review and amend the Policy, as and when required, subject to adoption by the Board.

B. OBJECT

The objective of this Policy is to set out :

- (a) the materiality thresholds for RPT and;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

C. DEFINITIONS

- A. "Act" means the Companies Act, 2013
- B. "SEBI Listing Regulations" means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended
- C. "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
- D. "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
- E. "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.

- F. "Company" means **ZENITH FIBRES LIMITED**
- G. "Relative" with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder
- H. "Related Party" have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended.
- I. "Related Party Transaction" have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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 following –
- 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) appointment to any office or place of profit in the company
 - g) underwriting the subscription of any securities or derivatives thereof, of the company
- J. "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. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company
- K. "Key Managerial Personnel" or "KMP" shall have the meaning as defined in the Companies Act 2013 and as amended from time to time 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

D. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations require the Company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required.

None of the related parties of the Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

Provided that approval from shareholders will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved. 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:

- Payment to a Related Party with respect to brand usage or royalty – 2% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

RPT policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company at least once in every three years and updated accordingly.

E. TRANSACTION WITH RELATED PARTIES

- All Transactions entered into by the Company with Related Parties will be put up for approval of Audit Committee on regular basis.
- All Transactions entered with Related Parties after 1st October, 2014 will be done after prior approval of Audit Committee. The Audit Committee may grant omnibus approval for RPT proposed to be entered into by the Company subject to compliance with the following conditions:
 - a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPT of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

- c) Such omnibus approval shall specify
- i. the name/s of related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into.
 - ii. the indicative base price/ current contracted price and the formula for variation in the price if any and
 - iii. such other conditions as the Audit Committee may deem fit.

Where the need for RPT cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding Rs. 25 Lacs (Rupees Twenty Five Lacs) per transaction.

- d) Audit Committee shall review, at least on a quarterly basis, the details of RPT entered into by the company pursuant to each of the omnibus approval given.
- e) Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry period.
- f) Any other conditions as the Audit Committee may deem fit

F. TESTS TO BE APPLIED FOR DETERMINING WHETHER A RELATED PARTY TRANSACTION IS IN THE ORDINARY COURSE OF BUSINESS OR NOT

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is not a standalone transaction. The Company will take into account the frequency of the activity and its continuity carried out in a normal organised manner for determination that is in the ordinary course of business.

G. RELATED PARTY TRANSACTIONS SHOULD BE AT ARM’S LENGTH PRICE

All RPT should be adequately supported by Contracts or purchase orders/work order / sales order and/or documentations to justify ‘Arm’s Length Price’.

While determining arm’s length nature of price charged for the RPT, the Audit Committee shall take into consideration the following:

- Cost plus method.
- Alternative quotation/offers for similar or near similar products or services.
- If Arm’s Length Price cannot be justified for any transaction for whatsoever reason then approval shall be taken from Board.

H. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

- i. Transactions which are not at arm’s length or not in the ordinary course of business

- ii. Transactions which are not repetitive in nature
- iii. Transactions exceeding materiality thresholds as laid down above in the policy
- iv. Transactions in respect of selling or disposing of the undertaking of the Company
- v. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
- vi. Any other transaction the Audit Committee may deem not fit for omnibus approval

I. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, 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, shall be placed before the Board for its approval. In addition to the above, the following kinds of transactions with related parties shall also be 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 of 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 as per Audit Committee requires Board approval;
- d. Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

J. Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down the Policy, shall be placed before the shareholders for approval. For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. (RP's can cast only negative vote to reject the shareholders resolution on material RPT). In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- a) are not at Arm's Length or not 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. However, the requirement of shareholders' approval for Material Related Party Transactions shall not be applicable for the following cases:

- transactions in respect of a resolution plan approved under section 31 of

the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

- transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval

K. DISCLOSURES

- i. The Company is required to disclose RPT in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- ii. Details of all Material RPT shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- iii. The Company shall disclose this Policy on its website and also in the Annual Report.
- iv. The Company shall submit within 30 days from the date of publication of its standalone and/or consolidated financial results for the half year 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.
- v. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

L. 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 the relevant facts and circumstances regarding the RPT and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT 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 RPT that has 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 the Company as the case may be, etc. in connection with any review/approval of a RPT, the Audit Committee shall modify or waive any procedural requirements of this Policy.