

**VAXTEX COTFAB LIMITED**  
(w.e.f, 11<sup>th</sup> April, 2025)

**POLICY ON DEALING WITH RELATED PARTY TRANSACTION**

**1. PREAMBLE**

Vaxtex Cotfab Limited is a Company incorporated under the Companies Act, 1956 (“the Company”) and is in the business of Textile processing of fabric and trading. Our Company is engaged in the processing (dyeing and finishing) of grey fabrics for shirting, suiting and other accessories and also on outsourcing basis for other fabric/ garment companies.

The Company recognizes that Related Party Transactions (as defined below) may have potential or actual conflict of interest and may raise questions whether such transactions are consistent with the Company’s and its shareholders’ best interests and in compliance to the provisions of the Companies Act, 2013 (“the Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)(including any statutory any amendments thereto or reenactment thereof).

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time. This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

**2. 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 the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the listing agreement and the Companies Act, 2013.

**“Board”** means the Board of Directors of Vaxtex Cotfab Limited.

**“Company”** or **“VCL”** means Vaxtex Cotfab Limited.

**“Key Managerial Personnel”** in relation to a Company means KMP as defined in the Act.

**“Listed Subsidiary”** means a subsidiary of the Company which is a listed entity under the Listing Regulations and to which Regulations 15(2) and 23 of the Listing Regulations are applicable.

**“Material Related Party Transaction”** means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Material Modifications means any change in the approved terms which has a financial implication of 25% or more of the contract/transaction value or Rs 5 crore, whichever is lower.

**“Policy”** means this Policy, as amended from time to time.

**“Related Party”** means a related party as defined under the Companies Act, 2013 or rules made thereunder and under Regulation 2(1)(zb) of Listing Regulations as amended from time to time.

**“Related Party Transactions”** or **“RPTs”** shall mean such transactions as specified under Act or rules made thereunder and under Regulation 2(1)(zc) of Listing Regulations, as amended from time to time.

**“Relative”** means a relative as defined under Section 2(77) of the Companies Act, 2013 and under Regulation 2(1)(zd) of Listing Regulations, as amended from time to time.

**“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation

### **3. POLICY**

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Audit Committee in accordance with this Policy.

#### **3.1. Procedures for review and approval of Related Party Transactions**

##### **3.1.1 Audit Committee**

All related party transactions require the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for such transaction, subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in accordance to this policy and the relevant provisions of law and such approval shall remain in force for the repetitive transactions;
- b. The Audit Committee shall be satisfied for the need of granting the omnibus approval and that such approval is in the best interest of the company;
- c. Such an approval shall specify – (i) the name(s) of the related party, nature of 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; (iii) any other conditions which the Audit Committee deems fit.

- 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 omnibus approval given.
- e. The omnibus approval shall be valid for a period of 1 (one) year.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board, as the case maybe, may review the following documents/seek inter-alia the following information from the management to in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- a. Nature of transaction i.e. details of goods or property to be acquired/ transferred or services to be rendered/ availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transactions;
- b. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction including value and quantum;
- c. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- d. Special terms covered/ to be covered in separate letters or undertakings or any other special or sub arrangement forming a part of a composite transaction;
- e. Benchmarking information that may have a bearing on the arm's length basis analysis: (i) market analysis, research report, industry trends, business strategies, financial forecasts etc.; (ii) third party comparables, valuation reports, price publications including stock exchange quotations; (iii) management assessment of pricing terms and business justification for the proposed transaction; (iv) comparative analysis, if any, of other such transaction entered into by the Company.

### **3.1.2 Board of Directors**

As per the provisions of Section 188 of the Act, all kinds of related party transaction 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 related party are also to be placed before the Board for its approval:

- a. Transactions which may be in 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;
- b. Transactions which the Audit Committee are 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;

- c. Transactions which are in the ordinary course of business and at arm's length, but which in the opinion of the Audit Committee, requires the approval of the Board; and
- d. Material Related Party Transactions are intended to be placed before the shareholders for approval.

### **3.1.3 Approval of the Shareholders of the Company**

All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in the Companies (Meetings of the Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

## **3.2 Standards for Review and Approval of Related Party Transaction**

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee Board or the Shareholders, as the case may be, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- (a) The Related Party's interest in the Related Party Transaction;
- (b) The approximate amount involved in the Related Party Transaction;
- (c) The approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (d) Whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (e) Whether the transaction with the Related Party is proposed to be, or was, entered on an Arms' Length Basis;
- (f) The purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- (h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction.
- (i) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director;
- (j) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- (k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the director or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee/Board deems relevant.
- (l) Required public disclosure, if any; and
- (m) Any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction.

The Audit Committee/Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ratify/recommend to the shareholders, the Related Party Transaction only if the Audit Committee/Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee/ Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

#### **4. DETERMINATION OF ORDINARY COURSE OF BUSINESS**

“In the Ordinary Course of Business” shall mean all such acts and transactions that are undertaken in the normal and regular course of business operations of the Company, and are carried out frequently and consistently in a structured and systematic manner. These may include, but are not limited to, sale or purchase of goods or services, leases, transfer of assets, providing guarantees or collaterals, etc. The determination shall take into account the frequency, nature, and customary practice of the transaction, and whether such activity is undertaken as a part of the Company’s regular business objectives and functions, and not a standalone or isolated transaction.

#### **5. DETERMINATION OF ARMS’ LENGTH NATURE OF THE RELATED PARTY TRANSACTION**

##### **5.1.1 Price Determination:**

At the time of determination the arms’ length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- i. Permissible methods of arms’ length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- ii. For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

##### **5.1.2. Underwriting and Screening of arms’ length Related Party Transaction**

- i. A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening /selection criteria/ underwriting standards and procedures as may be applicable in case of an unaffiliated party.
- ii. The Chief Financial Officer shall produce evidence and justification to the satisfaction of the Audit Committee for having applied the said procedure.

#### **6. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

- a. Each Director and Key Managerial Personnel (KMP) is responsible for providing a written notice to the Audit Committee of any potential Related Party Transaction involving themselves or their relatives. This notice must include complete details of the transaction and any other information the Audit Committee may reasonably require to assess the matter.
- b. Every Director or KMP of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement, or a proposed contract or arrangement, shall disclose the nature of such concern or interest at the Board Meeting where such

contract is discussed. Such a Director/KMP shall not participate in or exercise influence over such meeting.

- c. If a Director or KMP becomes concerned or interested subsequent to the execution of the contract or arrangement, he/she shall disclose such concern or interest forthwith or at the first Board Meeting held after becoming 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 matter 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 permitted by the Audit Committee or the Board, if legally permissible and justified in the circumstances.

## **7. GENERAL PRINCIPLES**

- a. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, Board Members and Shareholders, including abuse in Related Party Transactions.
- b. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that such transactions are in the best interests of the Company and its stakeholders.
- c. The Audit Committee shall have the following powers with respect to Related Party Transactions: (i) to seek information from any employee; (ii) to obtain outside legal or other professional advice; (iii) to secure attendance of outsiders with relevant expertise, if it considers necessary; (iv) to investigate any Related Party Transaction.

## **8. DISCLOSURES**

- a. The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- b. The Company is also required to disclose this Policy on its website and also in the Annual Report of the Company.
- c. The Company shall keep one or more registers giving separately the particulars of all contracts or Arrangements with any related party.

## **9. AMENDMENTS**

- a. The Audit Committee may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) from time to time.
- b. The Board may also make any amendments to the Policy from time to time, based on the recommendations of the Audit Committee.
- c. Further, the Board will review this Policy from time to time as prescribed under the Act or Listing Regulations.
- d. The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.