

## DONEAR INDUSTRIES LIMITED

### RELATED PARTY TRANSACTIONS POLICY

#### 1. Introduction

The Board of Directors (the “Board”) of Donear Industries Limited (the “Company”), adopts the following policy and procedures with regard to Related Party Transactions (“RPT”) as defined below, in compliance with the requirements of Section 188 of the Companies Act, 2013 (the “Act”) and Rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and any subsequent amendments thereto.

#### 2. Purpose

The Company is mainly engaged in textile sector. As a part of the business activity, the Company deals inter-alia, with entities which are related parties. The Company recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts 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 Act and the Listing Regulations, as amended from time to time.

Accordingly, the purpose of this Policy and procedure involved herein, is to ensure that transaction(s) between Company and its related parties are based on principles of transparency and arm’s length dealings. Moreover, this Policy also prevents and provide guidance in situations of potential conflict of interests in the implementation of transaction(s) involving such related parties and ensure the compliance with the requirements of the Act and Listing Regulations, as amended from time to time.

#### 3. Definition:

- **“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 in accordance with applicable law, including the Listing Regulations and the Act as amended from time to time.
- **“Board”** means Board of Directors of the Company.
- **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011 as amended from time to time.
- **"key managerial personnel"**, in relation to a company, means –
  - (i) the Chief Executive Officer or the Managing Director or the Manager;
  - (ii) the Company Secretary;
  - (iii) the Whole-Time Director;
  - (iv) the Chief Financial Officer;

- (v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) and such other officer as may be prescribed.

- **“Material Related Party Transaction”** means transaction(s) 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 listed entity as per the last audited financial statements of the listed entity, 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, exceeds five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- **“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 and under the applicable accounting standards and Regulation 2(1)(zb) of the listing regulations, as amended from time to time.
- **“Related Party Transactions”** shall mean such transactions as specified under the Act and the Rules made thereunder and Regulation 2(1)(zc) of the Listing Regulations, including any amendment or modification thereof, as may be applicable.
- **“Relative”** means a relative as defined under Section 2(77) of the Act and the Rules made thereunder and Regulation 2(1)(zd) of the Listing Regulations.
- **“Specified Limit”** as specified under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, for the purpose of first proviso to sub-section (1) of section 188 of the Act.
- **“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 Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 or any other applicable law or regulation.

#### 4. Annual Disclosures:

Every Director or manager will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided.

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her Relative is a member or a Director;
4. Public Companies in which he / she is a Director and holds along with his/her

Relatives more than 2% of paid up share capital;

5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions (other than advice, directions or instructions obtained in professional capacity); and

6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel of the Company ("KMP") will be responsible for providing a declaration containing the name of his/her relatives to the Company Secretary on an annual basis and whenever there is a change in the information provided:

Every Director, KMP, officers authorized to enter into contracts/ arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

Besides the above, the Company will also identify other Related Parties as required under the Act and the Listing Regulations.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

#### **5. Approval of Related Party Transactions:**

All Related Party Transactions shall be subject to the prior approval of the Audit Committee.

Further in case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

Where the Company enters into a contract / transactions with a related party, which stipulates details of every transaction like nature of the transaction, period of transaction, contract price or methodology of price determination, maximum amount of transaction, credit terms etc., prior approval once given by the Audit Committee would suffice. Such approval shall be valid for a period of one year and transaction made would be reviewed, on a quarterly basis.

Any member of the Audit Committee or Board who is interested in any Related Party Transaction shall abstain himself from the discussions and voting of such transaction.

The Board shall approve such Related Party Transactions as are required to be approved under the Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee.

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other relevant matters including information required under applicable rules of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time.

In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will inter-alia, consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would it apply on the same basis as if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present a conflict of interest for any Director, or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and;
- Any other factors, the Board/ Audit Committee as it may deem fit to consider.

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

All Related Party Transactions pursuant to Section 188 of the Act which are not in the ordinary course of business and / or not on an Arms' length basis and which exceeds the threshold limits prescribed under the Act shall also require the approval of shareholders of the Company through resolution.

The voting rights of the interested and non-interested Related Parties shall be governed by the applicable provisions of the Act, Listing Regulations and any other applicable law, from time to time.

The requirement of passing the resolution at the general meeting shall not be applicable for below mentioned transactions:

- 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 general meeting for approval.
- Transactions entered into between two wholly-owned subsidiaries of the listed

holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

“Ordinary course of business” would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

#### **6. Omnibus approval by Audit Committee for Related Party Transactions:**

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction(s) subject to the following conditions, namely.:

- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify the following:
  - Name(s) of the Related Party;
  - Nature and duration of the transaction;
  - Period of transaction;
  - Maximum amount of transaction that can be entered into;
  - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. One Crore per transaction.

Omnibus approval shall not be made for transactions which relates to or involves, selling or disposing of any undertaking of the Company.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. However, the Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

**7. Related Party Transactions not approved prior to its execution:**

In the event the Company becomes aware of a proposed Related Party Transactions, prior to its execution, it shall obtain prior approval from the Audit Committee/ Board/ shareholders, wherever applicable.

In case prior approval from the Audit Committee/Board is not obtained for any Related Party Transaction(s), such transaction may be brought subsequently to the Audit Committee after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy.

The Audit Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction(s) brought to its notice and shall evaluate all options available to the Company including ratification, revision or termination of such Related Party Transaction(s). In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been entered into without prior approval, the Audit Committee may direct additional actions including but not limited to, immediate discontinuation or rescission of transaction.

In case, where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by shareholders by way of a resolution in the general meeting, wherever applicable and if it is not ratified by the Board or, as the case may be, by the shareholders within 3 (three) months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

**8. Material Related party Transactions:**

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

**9. Disclosure and Reporting of Related Party Transactions:**

Every Related Party Transaction / contracts or arrangements that are:- i. material or ii. not at arm's length basis and/ or ordinary course of business, shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction as per the requirement of the Act.

The various business heads, strategic sourcing department, department heads or any person authorized to enter into any transaction on behalf of the company shall not undertake any transaction with related party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary

course of business and on an Arm's length basis. Any transaction not meeting the required criteria mentioned above should be brought to the notice of the Secretarial Department, Accounts Department and the CFO for seeking the requisite approvals.

**10. Amendments:**

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy and recommends the same to the Board for its consideration and final approval.

However, this will not bar the Board to change / amend the policy and Board itself, may change the policy even if no recommendation is made by Committee to comply relevant provisions of Companies Act, 2013, as amended from time to time.

Further, the Board will review this Policy from time to time as prescribed under the Act or Listing Regulations. The Audit Committee / Board shall have authority to modify or waive any procedural requirements of this Policy.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

**11. Scope of Limitation:**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / the Act or any other statutory enactments, rules, the provisions of such Listing Regulations / the Act or statutory enactments, rules shall prevail over this Policy.

**12. Dissemination of Policy:**

Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and to be posted on website of the Company and web link thereto shall be provided in the annual report of the Company.

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