

DHANLAXMI COTEX LIMITED

CIN: L51100MH1987PLC042280

POLICY ON RELATED PARTY TRANSACTIONS

(Revised on 01st February, 2019; 1st April, 2022 & 1st April, 2025)

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time

1. SCOPE AND PURPOSE OF THE POLICY

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, **Dhanlaxmi Cotex Limited** (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the 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.

2. OBJECTIVE 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, Regulation 23 of the SEBI Listing Regulations and 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

"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

"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.

"Company" means **Dhanlaxmi Cotex Limited**

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“Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder

“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.

“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

“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 Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “

“Promoter” and “promoter group” shall have the meaning assigned to them in clauses (za) and (zb) of sub-section (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

“Key Managerial Personnel” shall include –

Chief Executive Officer;
Managing Director;
Whole-time Directors;
Company Secretary;
Chief Financial Officer

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.

“Material Modifications” in relation to a Related Party Transaction approved by the Audit Committee or a material related party transaction approved by the Shareholders, as the case may be, material modifications means any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders, as the case may be, exceeding 20% of transactions, in each case, over and above the approved limits.

4. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In any event, if a Related Party Transaction ("RPT") exceeds the materiality threshold, prior approval of the shareholders of the Company will be required through an ordinary resolution. Prior approval of shareholders is also required in case of any subsequent material modifications to these already approved Related Party Transactions. None of the related parties ("RPs") 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 resolution seeking approval of material RPT(s)).

The company has fixed the following materiality thresholds for the purpose of Regulation 23 of the SEBI Listing Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 5% of the annual consolidated turnover of the Company as per its last audited financial statements.
- Other transactions with a Related Party – lower of Rs. 1,000 crore or 10% of the consolidated annual turnover of the Company as per its last audited consolidated financial statements

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Audit Committee and the Board, once in every three years and updated accordingly.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

Identification of Related Parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1) (zb) of the SEBI Listing Regulations.

Identification of Related Party Transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1) (zc) of the SEBI Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external expert opinion, if necessary.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

Approval of the Audit Committee

- A.** All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
 - i Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;

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- ii The maximum value per transaction which can be allowed;
 - iii extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - iv review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - v transactions which cannot be subject to the omnibus approval by the Audit Committee
 - b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:- repetitiveness of the transactions (in past or in future); and justification for the need of omnibus approval
 - c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
 - d. The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at 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.
 - e. 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 rupees 1 crore per transaction.
 - f. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
 - g. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
 - h. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
 - i. Any other conditions as the Audit Committee may deem fit
- B.** In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:
- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 30% of the annual consolidated turnover of the company as per last its audited financial statements, subject to the transaction(s) exceeding the materiality threshold which require shareholder approval will not be considered for this limit.
 - b. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in Clause 4 of the Policy. Should the value per transaction, through omnibus route, exceed the materiality threshold as defined in the Policy, the same shall be subject to approval of shareholders of the Company.
 - c. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following

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information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- i Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- ii Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
- iii Name of the related party and its relationship with the company or its subsidiary, including nature of its concern and interest (financial or otherwise);
- iv Tenure and value of the proposed transaction;
- v The percentage of the company's annual consolidated turnover, for the immediate preceding financial year, that is represented by the value of the proposed transaction;
- vi If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by company or its subsidiary;
 1. details of the source of funds in connection with the proposed transaction;
 2. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 3. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 4. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT;
- vii Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
- viii Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- ix Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 2. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 3. management assessment of pricing terms and business justification for the proposed transaction;
 4. Comparative analysis, if any, of other such transaction entered into by the company.
- d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company or its subsidiary pursuant to each omnibus approval given.
- e. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 1. Transactions which are not at arm's length or not in the ordinary course of business
 2. Transactions which are not repetitive in nature
 3. Transactions exceeding materiality thresholds as laid down in Clause 4 of the Policy

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4. Transactions in respect of selling or disposing of the undertaking of the company
5. 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
6. Any other transaction the Audit Committee may deem not fit for omnibus approval

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, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also 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 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 Clause 4 of the Policy, which are intended to be placed before the shareholders for approval

Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 of the Policy, are 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 recognize stock exchange within one day of the resolution plan being approved.
- Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- Related Party Transactions of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.

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- 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.
- transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

6. DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

The Company shall provide disclosure of the Related Party Transactions to stock exchanges where the Company's securities are listed, in the format as specified by the SEBI/stock exchanges from time to time and within statutory timelines. The Company shall simultaneously upload the disclosure at its website.

The Company shall place all the information as specified by the SEBI from time to time for review of the Audit Committee while seeking prior approval of the RPTs.

The Company shall provide all the information as specified by the SEBI from time to time in the explanatory statement to the notice being sent to shareholders seeking their approval for proposed RPTs.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

The failure to seek ratification of the audit committee shall render related party transactions voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the company against any losses incurred.

8. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

9. COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Finance Head and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.
