



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



1. Introduction:

The Board of Directors of Amarjothi Spinning Mills Limited (“the Board”) has adopted following Policy and procedures with regard to Materiality of Related Party Transactions and dealing with Related Party Transactions of the Company with effect from 1st April, 2025.

2. Purpose:

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 (“Companies Act”) read with the rules framed thereunder and the Securities and Exchanges Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (hereinafter referred to as SEBI Regulations, 2015).

Also, Regulation 23(1) of SEBI Regulations, 2015 requires a listed company to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

In the light of the above, The Company has revised its Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the board of directors of Amarjothi Spinning Mills Limited (“Board”) based on the recommendations of the audit committee of the Board (“Audit Committee”). Going forward, the Audit Committee would review and amend, if required, the Policy at least once in three years, subject to the approval of the Board.

The objective of the Policy is to set out to evaluate (a) the materiality thresholds for related party transactions to be entered into by the Company, for the purpose of ascertaining whether the said transactions will need to be placed before shareholders of the Company for their approval; and (b) the manner of dealing with related party transactions to be entered into between the Company, in accordance with the relevant provisions of the Companies Act, the SEBI Regulations, 2015 and any other laws and regulations as may be applicable to the Company from time to time.

3. Definitions:

“**Act**” means the Companies Act, 2013 as amended from time to time;

“**Audit Committee**” shall mean the audit committee constituted by the Board from time to



time, in accordance with the provisions of the Act and the SEBI Listing Regulations.

“Board of Directors” or **“Board”** means the collective body of the Directors of the Company, as constituted from time to time, in line with the provisions of the Act and the SEBI Listing Regulations.

“SEBI Listing Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;

“Associate Company” or **“associate”** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

For the purpose of this definition

- a) “significant influence” means control of at least 20% of total voting power, or control of or participation in business decisions under an agreement;
- b) "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“Regulation 23” means the Regulation 23 of the SEBI Listing Regulations.

“Arm’s Length Transaction” means a transaction between two related parties that is as if they were unrelated parties, so that there is no conflict of interest;

“Company” means Amarjothi Spinning Mills Limited;

“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” shall have the meaning as defined in Section 2(76) of the Act and 2(1)(zb) of the SEBI Listing Regulations.

“Related Party Transaction” have the meaning as defined under Section 188 of the Act read with Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended, and shall mean a transaction involving a transfer of resources, services or obligations between:

- a. the Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand;
- b. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries with effect from April 1, 2023

regardless of whether a 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



“Material Related Party Transaction” means a Related Party Transaction which exceeds the limits as laid down hereunder

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per Listing Regulations (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents.	10% or more of Turnover of the Company	All transactions (individual or together with previous transactions during a Financial Year) with one party exceeding the lower threshold of Rs.1,000 Crore or 10% of the Annual Consolidated Turnover. However, 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 (individually or taken together with previous transactions during a financial year) exceed five percent of the Annual Consolidated Turnover as per the last Audited Financial Statements.
Buying, selling or disposing of property of any kind directly or through appointment of agents. 1	10% or more of Turnover of the Company	
Leasing of any kind of property	10% or more of Turnover of the Company	
Availing or rendering of any services directly or through appointment of agents.	10% or more of Turnover of the Company	
Appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company	Monthly remuneration exceeding Rs.2,50,000/-	
Remuneration for underwriting the subscription of any securities in or derivatives thereof.	Exceeding 1% of net worth of the Company	
Any other Related Party Transactions other than that set out in the table above	-	

Explanation:- The Turnover or Net Worth referred in the above table shall be computed on the basis of the Audited Financial Statements of the preceding Financial Year.

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



'Office or place of profit' means any office or place: where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent- free accommodation, or otherwise;

- (a) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

"Holding company" in relation to one or more other companies means a company of which such companies are subsidiary companies.

"Key Managerial Personnel" means the following officers of a company:

- (ii) Managing director or Chief Executive Officer or the manager;
- (iii) Company Secretary;
- (iv) Whole-time director;
- (v) Chief Financial Officer; and
- (vi) 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
- (vii) Such other officer as may be prescribed under the Companies Act or the rules thereunder, from time to time.

"Material Modification" will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be or such modification which would make the transaction less favourable to the Company

"Ordinary course of business" means a transaction, contract or arrangement:

- i. carried out in the normal course of business envisaged in accordance with the memorandum of association of the Company, as amended from time to time;
- ii. which is consistent with the historical practice of the Company, with a pattern of frequency;
- iii. which is consistent with the common commercial practice;
- iv. Sale of Goods, Materials and Services;
- v. Purchase of Goods, Materials and Services;
- vi. Payment of expenses of Joint Venture Company;



- vii. Reimbursement of actual out of pocket expenses incurred from/to the Company to/ from the Related Party;
- viii. Reimbursement of ESOP Expenses from subsidiaries;
- ix. Payment of remuneration (including sitting fee and ESOP, if any) to Related Parties from the company or subsidiaries, where they are working in a whole time position or as a director.
- x. as may be decided by the Board or the Audit Committee from time to time

“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 Audit Committee may lay down principles from time to time for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

“Policy” means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.

“Subsidiary company” or **“subsidiary”**, in relation to any other company (that is to say the holding company), means a company in which the holding company:

- i. controls the composition of the board of directors; or
- ii. exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

Provided that the following shall not be a related party transaction:

- a) The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) The following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. Payment of dividend
 - ii. Subdivision or consolidation of securities
 - iii. Issuance of securities by way of a rights issue or a bonus issue; and
 - iv. Buy-back of securities.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board
- d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:



Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors:

Further, unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013/ Listing Regulations as may be amended from time to time and shall have the meaning respectively assigned to them therein.

4. Identification of Potential Related Party Transactions:

Each director and Key Managerial Personnel is required to give notice of disclosure of interest under section 184 of the Companies Act 2013, along with their list of relatives to the Company. The Company shall collate the data and shall at all times maintain database of Company's Related Parties and shall ensure that no transaction is entered into with any Related Party without requisite approvals.

Further each director, KMP is also responsible for providing notice to the Board or Audit Committee of any potential RPT involving him or her or his or her relative, including any additional information about the transaction that Board/Audit Committee may reasonably request.

5. Factors to be considered while granting approval Related Party Transactions:

The Audit Committee/Board will consider the following factors, among others, to the extent relevant to the RPT while granting the approval-

- ❖ Whether the terms of the RPT are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- ❖ Whether the RPT would affect the independence of an Independent Director;
- ❖ Whether the transaction qualifies to be a transaction in ordinary course of business;
- ❖ Whether the transaction is in the interest of the Company;
- ❖ Whether the RPT would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the purpose and timing of the transaction, the direct or indirect nature of the transaction, Key Managerial Personnel's or other Related Party's interest in the transaction.



6. Procedure for approval of Related Party Transactions:

a) Audit Committee Approval

- The RPT would be approved by only the Independent members of Audit Committee as per Regulation 23(2) of SEBI (LODR) Regulation, 2013.
- All Related Party Transactions and their subsequent material modifications shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 along with Rules made thereunder, or by Secretarial Standards, or as per Regulation 23(2) of SEBI (LODR) Regulations, 2013.
- Prior approval of the Audit Committee shall also be required for the following Related Party Transactions:
 - a. a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary. In case any member of the Committee is interested in the transaction proposed for approval, the interested member shall abstain from voting and only the dis-interested members shall vote on the resolution.
 - b. remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the limit of materiality as stated above.
 - c. 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 this regulation;
 - 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 this regulation;
- 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.

- The Committee may grant an omnibus approval for RPT proposed to be entered into by the Company or its subsidiary which are repetitive in nature and subject to such criteria/conditions as mentioned under the Companies Act, 2013 and Rules made thereunder and under Regulation 23(3) of Listing Regulations and such other conditions as it may consider necessary in the interest of the Company. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- The omnibus approval shall mention important relevant information such as names of related parties, nature and period of transaction, maximum amount of transactions that can be entered into and indicative base price or current contracted price along with formula for variation in the price and such other conditions as the Audit committee may deem fit.
- Company shall provide the following information, for review of the audit committee for approval of a proposed RPT:
 - i) Type, material terms and particulars of the proposed transaction;
 - ii) Name of the related party and its relationship with the company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - iii) Tenure of the proposed transaction (particular tenure shall be specified);
 - iv) Value of the proposed transaction;
 - v) The percentage of the company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - vi) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the company or its subsidiary:
 - a. details of the source of funds in connection with the proposed transaction;
 - b. 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;
 - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;



- d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- vii) Justification as to why the RPT is in the interest of the listed entity;
- viii) A copy of the valuation or other external party report, if any such report has been relied upon;
- ix) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- x) Any other information that may be relevant
- The basic criteria for providing omnibus approval shall be that the proposed transactions are repetitive in nature and are in the interest of the Company.
 - In case the need for Related Party Transaction cannot be foreseen, audit committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees one crore per transaction.
 - Any member of the Audit Committee having potential interest in any RPT shall recuse himself and abstain from discussing and voting on the approval of the concerned RPT.
 - The Audit committee shall review on a quarterly basis, the details of RPT entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given. In connection with any review of RPT, the committee has authority to modify or waive any requirement of this policy. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
 - Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
 - The Audit Committee shall recommend the RPT for approval of Board of Directors/ Shareholders as may be required.

b) APPROVAL OF BOARD OF DIRECTORS

- The Board shall approve such RPT as are required to be approved under section 188 of the Companies Act 2013 and/or Listing Regulations and/or transactions referred to it by the Audit Committee.
- However approval of the Board will not be required in case of transactions entered into by the company in its ordinary course of business and at arm's length.
- All material related party transactions and subsequent material modifications shall require approval of Board of Directors of the Company.
- Any member of the Board having potential interest in any RPT shall recuse himself and abstain from discussing and voting on the approval of Related Party Transaction.
- The Company may, if considered necessary, and if required by the Board of Directors or Audit Committee, seek external opinion in order to determine if the Related Party



Transaction is in the Ordinary Course of Business and/or is at Arm's Length Price.

c) APPROVAL OF SHAREHOLDERS

- All Material RPTs and subsequent material modifications as defined in this Policy require prior approval of the shareholders through a resolution.
- All entities falling under the definition of “related parties” shall not vote to approve such resolution whether the entity is a party to the particular transaction or not.
- Information to be provided to shareholders for consideration of RPTs: The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:
 - a. A summary of the information provided by the management of the listed entity to the audit committee;
 - b. Justification for why the proposed transaction is in the interest of the listed entity;
 - c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 4(f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
 - d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
 - f. Any other information that may be relevant.

7. Related Party Transactions not approved under this policy

In the event the Company becomes aware of a RPT with a Related Party that has not been approved as per this Policy, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification by it or recommending the Board for their ratification or seeking approval of Shareholders, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy, and shall take any such action it deems appropriate.

The Committee has authority to modify or waive any procedural requirements of this Policy.



Following transactions not to be considered as Related Party Transactions:

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board of Directors or Shareholders:

- a) Any transaction that involves the providing of compensation in connection with his or her duties to the Company or to any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b) Reimbursement made of expenses incurred by a Related Party for business purpose of the Company, or Reimbursement received for expenses incurred by the Company on behalf of a Related Party.
- c) Reimbursement of pre-incorporation expenses incurred by or on behalf of a Related Party.
- d) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- e) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit Committee.
- f) 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.
- g) 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.

8. Disclosures & Reporting

- Particulars of contracts or arrangements with related parties referred to in Section 188 of the Companies Act, 2013 shall be disclosed in the Director's Report in the prescribed format along with justification for entering into such contracts or arrangements.
- Details of all Material RPT shall be disclosed in the Corporate Governance report on a quarterly basis and submitted to Stock Exchange.
- The Company shall disclose the policy on dealing with RPT on its website and a web link thereto shall be provided in the Annual Report of the Company as prescribed in Schedule V of the SEBI (LODR) Regulations, 2015.
- The Company shall disclose materially significant RPT, which might have potential conflict with interest of the Company in the Annual Report.
- The Company shall submit to the Stock Exchanges disclosure of Related Party Transactions in the format as specified by the SEBI from time to time and also publish the same on its website.
- The Company shall disclose transactions with any person or entity belonging to the



promoter/ promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results.

- The company and its subsidiaries shall in `Corporate Governance Report` disclose Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.
- The Company shall make such other disclosures as may be required in compliance with the accounting standards on RPT.
- The Company shall keep one or more registers, maintained physically or electronically as specified under Companies Act, 2013 giving separately the particulars of all contracts or arrangements with any related party and shall make the same available for inspection in accordance with the Companies Act, 2013.

9. Policy Review

This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, Listing Regulations or any other regulations (“the Regulations”) which makes any of the provisions in the Policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed and recommended by the Audit Committee at least once in every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations or as may be felt appropriate by the Audit Committee, whichever is earlier for approval of the Board of Directors. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.

- ❖ Amended and approved with effective from 10.02.2025.