



TCNS CLOTHING CO LIMITED

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

[Pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Effective Date: 2nd February 2018, amended on 8th February 2019, 12th November 2021, and 11th February 2022.

I. INTRODUCTION

TCNS Clothing Co. Limited (“**Company**” or “**TCNS**” or “**the Listed Entity**”) recognizes that Related Party Transactions (*as defined hereinafter*) can present potential or actual conflicts of interest. Therefore, this policy regarding the review and approval of Related Party Transactions (*as defined hereinafter*) and the guidelines on materiality of such Related Party Transactions (*as defined hereinafter*) has been adopted by the Company in order to transparently set forth the procedures under which certain transactions with Related Parties (*as defined hereinafter*) must be approved.

II. DEFINITIONS

“**Act**” means the Companies Act, 2013, including any amendments thereto and any rules, regulations, notifications and clarifications made thereunder, to the extent notified, and the Companies Act, 1956 any amendments thereto and any rules, regulations, notifications and clarifications made thereunder, to the extent applicable and in force.

“**Arm’s Length Transaction**” means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Associate Company**” means a company in which TCNS has a significant influence but which is not a subsidiary company of TCNS and includes a joint venture company of TCNS.

“**Audit Committee or Committee**” means Audit Committee constituted by the Board of Directors of the Company under the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (LODR) and the Act, from time to time.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**Financial Year**” means the period beginning April 1 of every calendar year and ending on March 31 of the succeeding calendar year.

“**Holding Company**” in relation to one or more other companies, means a company of which such companies are subsidiary companies.

“**Independent Director**” means an independent director referred to in Section 149(6) of the Act and Regulation 16(1)(b) of LODR.

“**LODR**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended and modified from time to time.

“**Material modifications**” means a related party transaction(s) involving deviation/modification (increase) exceeding ten percent or more of value of that previously approved related party transaction(s).



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“**Relative**” shall have the same meaning as defined in section 2(77) of the Act.

“**Related Party**” with reference to the Company, shall have the meaning defined in section 2(76) of the Act or under applicable accounting standards.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

“**Related Party Transaction**” means a transaction involving a transfer of resources, services or obligations between:

- (i) the listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) the listed entity 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 listed entity 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.

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 by the listed entity 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.

“**Material Related Party Transactions**” A transaction with a related party shall be considered material if the 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.

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 into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“**Significant Influence**” means control of at least 20% (twenty percent) of the total share capital, or of business decisions under an agreement.



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“**Subsidiary Company**” or “**Subsidiary**” shall have the same meaning as defined in section 2(87) of the Act.

“**Listed Subsidiary**” means a Subsidiary of the Listed entity which is listed on any of the stock exchanges.

“**Transaction**” in relation to a Related Party means the contract or arrangement with the Related Party and shall include, where required, any transaction thereunder with a Related Party in that Financial Year, whether entered into individually or not.

“**Transactions in the ordinary course of business**” means transactions which are in the ordinary course of business as per the judicial precedents in India from time to time.

Explanation– In view of the current judicial precedents, the following tests should be considered to determine if a transaction is in the ‘ordinary course of business’ of the Company:

- (a) the memorandum of association of the Company should include the business activity which is in question;
- (b) previous instances of the Company having carried out the activity in question; and
- (c) The activity which is in furtherance of the business objectives of the Company in normal course of business.

III. PROCESS AND PROCEDURE FOR DEALING WITH RELATED PARTY TRANSACTIONS

- (a) All Related Party Transactions and subsequent material modifications thereto shall require prior approval of the Audit Committee. Provided that only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions (RPTs).
- (b) A related party transaction to which the subsidiary of the listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

However, with effect from April 1, 2023, a related party transaction to which the subsidiary of the listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

- (c) The Audit Committee may grant omnibus approval to Related Party Transactions (subject to fulfilment of criteria for granting omnibus approval as specified in this policy) and such approval shall equally be applicable to transactions thereunder which are repetitive in nature.
- (d) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- (e) Any member of the Audit Committee interested in any Related Party Transaction shall not vote to approve the Related Party Transaction.



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- (f) Such omnibus approval shall provide for the following details:
- (i) the name/s of the Related Party and nature of the relationship;
 - (ii) the nature, duration, material terms and other particulars of the Transaction and the maximum amount of the Transaction that can be entered into;
 - (iii) the indicative base price/current contracted price and the formula for variation in the price if any; and
 - (iv) any such other information/conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval subject to the value not exceeding INR 1,00,00,000/- (Indian Rupees One Crore only) per Transaction.

- (g) The Audit Committee shall review, at least once every quarter, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given by the Audit Committee.
- (h) Such omnibus approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.
- (i) Approval of the Board shall be required for entering into the Related Party Transactions which are not in the ordinary course of business or not an Arm's Length Transaction.
- (j) 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. Further, approval of the shareholders of the listed entity shall also be required for entering into the Related Party Transactions which are not in the ordinary course of business, or not on arms' length and exceeding the limits prescribed under the Act read with the rules framed thereunder and the circulars/notifications, etc. issued by the Ministry of Corporate Affairs, from time to time.
- (k) The provisions mentioned above in (a) to (j) of Para III shall not be applicable in the following cases:
- (i) transactions entered into between the listed entity and its wholly owned subsidiary whose accounts are consolidated with the listed entity and placed before the shareholders at the general meeting for approval.
 - (ii) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with the list holding company and placed before the shareholders at the general meeting for approval.
- (l) The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website. Further, the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results. Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.
- (m) In the event a Related Party Transaction is covered by applicable provisions of the Act, the

Company shall comply with such provisions including requirements as prescribed under the LODR.

IV. DISCLOSURE

The particulars of contracts or arrangement with Related Parties referred to in section 188(1) of the Act shall be disclosed in the report of the Board as per Section 134 of the Act. Further, the Company shall provide additional disclosures on related party transactions as required under Regulation 23 of the LODR.

V. POLICY REVIEW

This policy shall be subject to review and changes as may be deemed necessary by the Board of Directors and to comply with any regulatory requirements.
