

**POLICY ON RELATED PARTY  
TRANSACTIONS &  
MATERIALITY OF RELATED  
PARTY TRANSACTIONS**

**SCOOBEE DAY GARMENTS (INDIA) LIMITED**  
(Formerly Known as Victory paper & Boards (India) Ltd)

# **SCOOBEDAY GARMENTS (INDIA) LIMITED**

## **POLICY ON RELATED PARTY TRANSACTIONS & MATERIALITY OF RELATED PARTY TRANSACTIONS**

Scoobee Day Garments India Limited ("The Company") may enter into transactions with related parties to leverage scale, size and drive operational synergies while ensuring that such transactions are following the applicable legal requirements.

### **Objective of the Policy**

The Board of Directors of the Company ("the Board"), on the recommendation of the Audit Committee, has adopted this Policy and associated procedures for regulating related party transactions, in line with the requirements of the Companies Act, 2013 ("the Act") and SEBI LODR 2015.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its related parties. The Policy specifically deals with approval and review mechanisms of material related party transactions keeping in mind the potential or actual conflict of interests that may arise because of such transactions.

### **Definitions and Applicability**

"Audit Committee or Committee" means a Committee of the Board of Directors of the Company constituted in terms of the Company's Audit Committee Charter and where required as applicable under the Act;

"Board" means the Board of Directors 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 in a financial year, exceeds ten percent of the Annual Consolidated turnover of the Company as per last audited financial statements of the Company.

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 in a financial year, exceeds two percent of the Annual Consolidated turnover of the Company as per last audited financial statements of the Company.

An entity shall be considered as related to the Company if any of the following conditions applies:

- a. The entity is related party under Section 2(76) of the Companies Act, 2013; or
- b. Such entity is a related party under the applicable accounting standards;

“Related Party Transaction” means any transaction directly or indirectly involving any Related Party that involves transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged;

A “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract;

Words and expressions used under this policy and not defined herein shall have meaning ascribed to them in the Companies Act, 2013, as amended from time to time.

## **1. Dealing with Related Party Transactions**

All Related Party Transactions, other than transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm’s length basis, shall require approval of the Audit Committee and / or the Board of Directors of the Company in accordance with this Policy.

## **2. Identification of Related Party Transactions**

All Related Party Transactions shall be placed before the Audit Committee of the Company for its approval.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Authorised Person who may be entrusted for this purpose by the

Audit Committee and who would in turn take necessary steps to place the same before the Audit Committee.

All Directors, Members of the Management Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest and their relatives interest in other Companies, firms and concerns at the beginning of the Financial Year and in change of any interest during the Financial Year on its occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company.

In addition, all Directors, Members of the Management Committee and KMPs are responsible for giving notice to the Company Secretary of any potential Related Party Transaction involving them or their Relatives.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee.

### **3. Review and Approval of Related Party Transactions**

Unless otherwise stated in this Policy, all Related Party Transactions, other than transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm's length basis, shall require prior approval of the Audit Committee of the Company.

Transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm's length basis should also, as a measure of good governance, be placed before the Audit Committee for information.

For the aforesaid purpose, all Related Party Transactions must be reported to the Authorised Person who shall place the same before the Audit Committee in accordance with this Policy.

The Audit Committee may grant omnibus approval to Related Party Transactions that are:

- a. repetitive in nature; and
- b. Entered in the ordinary course of business and arm's length basis.

Such omnibus approval may be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

(a) The transaction in question is necessary to be executed as it is in the business interest of the Company;

(b) The requisite information is presented to the Audit Committee's satisfaction to confirm that transactions are entered in the ordinary course of business and on arm's length basis.

(c) Such omnibus approval shall specify –

i. the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;

ii. the indicative value and the formula for variation in the value, if any and

iii. such other conditions as the Audit Committee may consider fit.

(d) Such omnibus approval shall be valid for a period not exceeding one Year and shall require fresh approval after expiry of the one year.

The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval granted by the Audit Committee earlier.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from the discussion, or voting for approval or ratification of such transactions.

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval and where required shall be considered and referred to by the Board of Directors for approval of shareholders.

Any member of the Board who has a potential interest in such a Related Party Transaction will recuse himself or herself and abstain from discussion or voting on the approval of such a Related Party Transaction.

#### **4. Related Party Transactions that shall not require Approval**

Following Related Party Transactions shall not require any separate approval under this Policy:

- a. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b. Transactions that has been approved by Board of Directors under specific provisions of Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c. Payment of Dividend;
- d. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

## **5. Material Related Party Transaction**

All Material Related Party Transactions and other transactions which are required to be approved by shareholders as per the Companies (Meetings of Board and its Powers) Rules, 2014 and SEBI LODR 2015 shall be placed for prior approval of shareholders through a Resolution. However, the Material Related Party Transactions entered into between the Company and its wholly owned subsidiaries shall not require prior approval of the shareholders.

## **6. Disclosure(s)**

Details of all Material Related Party Transactions shall be disclosed to the Stock Exchanges on a quarterly basis along with the compliance report on corporate governance.

The Company shall disclose this Policy on its website and provide the web link in the Annual Report. In addition to the disclosures required under the Accounting Standards, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company as part of the Board's Report.

## **7. Governance of the Policy**

The Company may consider and adopt a standard Operating Procedure for consideration and review of related party transactions and for referring the matter to the Audit Committee as and when required.

The Management if required consisting of CFO or other employees of Accounts or Finance, CEO or Head of Business Operations, employees of Secretarial Dept, if any, etc as may be decided from time to time may be created and shall ensure that the actions agreed with the Audit Committee and the Board with respect to Related Party Transactions have been implemented. The management shall also ensure that systems and procedures are also in place and are adequate as per standard operating procedure of the Company and are as per approvals of the Audit

Committee or Board of Directors and shall place any potential related party contract before the Audit Committee for approvals.

### **8. Amendments to the Policy**

The Audit Committee of the Company shall review this Policy from time to time, but at least once every three years, and may recommend amendments to the same for approval of the Board.

In case of any amendments, circular(s) or clarifications issued by relevant authorities not being consistent with the provisions laid down in this policy then such amendments, circular(s) or clarifications shall prevail upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid down in such amendments, circular(s) or clarifications etc.

### **9. Communication**

This Policy will be communicated to all Directors, KMPs and Members of the Management Committee and other concerned persons of the Company.

Approved by the Board of Directors in its meeting held on 4<sup>th</sup> November, 2021



## **SOP ON RELATED PARTY TRANSACTIONS**

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Scoobee Day Garments (India) Limited ("The Company") may enter into transactions with related parties to leverage scale, size and drive operational synergies while ensuring that such transactions are in compliance with the applicable legal requirements and Company's Policy on related party transactions by following the Standard Operating Procedure laid down here.

### **Objective of the SOP**

The Board of Directors of the Company ("the Board"), has adopted these procedures for regulating related party transactions, in line with the requirements of the Companies Act, 2013 ("the Act") and Company's Policy on related party transactions.

### **Standard Operating Procedure**

#### **Disclosure In Board**

1. In the first Board meeting of every financial year and on each change of any interest of Directors a disclosure in form MBP-1 will be obtained by the Company from its Directors. A disclosure statement of interest of relatives of the Directors and Key Managerial Persons shall be also obtained at the beginning of the financial year and on each change.

(Requirements under Section 189 of Companies Act, 2013)

#### **Identification of Potential Related Party Transactions**

2. Any member of the Management or Steering Committee on Related Party Transactions of the Company or Accounts/Finance Department of the Company on anticipating a new potential transaction which will be a related party transaction.
3. Accounts/Finance/Business/Sales Department(s) need to provide information of any potential related party transactions, any contract or arrangement with a related party including to person:

- 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. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g. underwriting the subscription of any securities or derivatives thereof, of the company.

And any other potential related party transaction as per accounting policy and Applicable Accounting Standards.

(requirement under Section 188 of Companies Act, 2013 read with Accounting Standards)

4. Information provided to authorized persons of the Company must contain minimum information required under Companies Act, 2013.

The agenda of the Board or Committee meeting at which the resolution is proposed to be moved shall disclose:

- (a) the name of the related party and nature of relationship; (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contractor arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

(f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

(g) any other information relevant or important for the Board to take a decision on the proposed transaction.

(requirement under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 )

### **Approval Process**

5. Authorised person shall prepare the Agenda and submit the same to Audit Committee of Board of Directors of the Company and will ensure the following:
  - a. All information required Rule 15(7) of Companies (Meetings of Board and its Powers) Rules, 2014 and SEBI LODR 2015 is provided.
  - b. Compliance requirement of the Related party entity is completed and resolution or approval of the other Related Party is obtained.
  - c. Copy of the draft contract or agreement is provided to the Audit Committee.
  - d. In case Related Party Transaction requires additional Board Process or approvals then the note is being prepared and sent to the Audit Committee and later it will be forwarded to the Board of Directors. Example Process of Loans and Borrowings which may need additional Board Compliance.
6. The Audit Committee on receipt of proper Agenda and notes will consider the transaction and will provide approvals as per Policy on Related Party Transactions by considering if proposed transaction is fit on twin criteria of ordinary course of business and also on arm's length basis.
7. Cases where the Committee is required to forward the matter to the Board of Directors of the Company, i.e., matters where additional Compliance is required by Board of Directors or approvals are required under Section 188(1) of Companies Act, 2013 must be forwarded to

Board of Directors and Board will consider the approval and as required under Companies Act, 2013.

8. Board of Directors will provide approval for transactions which are in ordinary course of business and on an arm's length basis. Transactions which not fall under above said twin criteria and Following transactions which fall outside the scope of Board of Directors will be referred to the shareholders meeting for their prior approval:

(a) Sale, purchase or supply of any goods or materials, directly or through appointment of an agent, amounting to 10% or more of the turnover of the company or Rs. 100 crore, whichever is lower.

(b) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of the net worth of the company or Rs. 100 crore, whichever is lower.

(c) Leasing of property of any kind amounting to 10% or more of the net worth of the company or 10% or more of the turnover of the company or Rs. 100 crore, whichever is lower.

(d) Availing or rendering of any services, directly or through appointment of an agent, amounting to 10% or more of the turnover of the company or Rs. 50 crore, whichever is lower.

(e) Appointment of any office or place of profit in the Company, subsidiary or associate company at a monthly remuneration exceeding Rs. 2,50,000/-.

(f) Underwriting the subscription of any securities or derivatives thereof, of the company, at a remuneration exceeding 1% of the net worth of the company.

In case of a wholly owned subsidiary, the resolution passed by the holding Company shall be sufficient by the wholly owned subsidiary and its holding company.

( required under Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 )

### **Records**

9. Records of related party transactions shall be maintained and will be subject to the provisions of Companies Act, 2013 and Rules made thereunder and will be subject to the Internal Audit and review of the Audit Committee in every quarter and minimum once a year review by the Board of Directors of the Company.

In terms of Section 189 of the Act, disclosures and contracts under Sections 184 and 188 of the Act are required to be entered in the Register(s) of contracts with related parties and contracts and bodies etc. in which directors are interested, as required to be maintained by the company. Particulars of companies or bodies corporate in which a director himself together with any other director holds 2% or less of the paid-up share capital would not be required to be entered in the Register. It is worth noting that no entry is required to be made in the said Register, if Sections 184 and 188 are not applicable. This Register shall be maintained in Form MBP-4.

(requirement under Section 184 of Companies Act, 2013)

### **Dealing with interested Parties**

10. Interested parties shall not participate in the Resolution where the Director is interested subject to exemptions available under Companies Act, 2013.

A Director shall neither be reckoned for Quorum nor shall be entitled to participate in respect of an item of business in which he is interested.

(provision under Paragraph 3.2 of the Secretarial Standard on Meetings of the Board of Directors)

### **Suggested Format for Disclosure of details of Relatives**

**Name of Person :**

The details of my relatives are as under:

<b>SI No</b>	<b>Name of Relative</b>	<b>Relation-ship</b>	<b>Occupation of Relative</b>	<b>PAN Number / other particulars</b>	<b>Entities in which the relative is a self- proprietor/ partner or Member/ Director of a Pvt. Company</b>	<b>Entities in which the relative(s) holds more than 2% of the paid up share capital of a public limited company of which the director is also a director.</b>

Date:

Signature

## **Best Practices**

- Companies need to identify and put in place systems in electronic accounting format and establish controls to identify transactions with related parties.
- Approvals of the Audit Committee/Board and Shareholders can be captured and provide a quarterly mechanism to review.

## **Illustration for consideration of Related Party Transactions as Ordinary course of business under Transfer Pricing Mechanism**

Arm's length transactions under the Income-tax Act

In terms of Section 92F of the Income-tax Act, 1961, "arm's length price" means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions. 92A of the Income-tax Act, 1961, as under :

"associated enterprise", in relation to another enterprise, means an enterprise –

(a) which participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise; or

(b) in respect of which one or more persons who participate, directly or indirectly, or through one or more intermediaries, in its management or control or capital, are the same persons who participate, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise.

In terms of Section 92C of the Income-tax Act, 1961, the arm's length price in relation to an international transaction or specified domestic transaction must be determined by any of the following methods, being the most appropriate method, having regard to the nature of the transaction or class of transaction or class of associated persons or functions performed by such persons or such other relevant factors as the Board of Directors of the company may prescribe, namely:-

- a. comparable uncontrolled price method;
- b. resale price method;
- c. cost plus method;

- d. Profit split method;
- e. transactional net margin method;
- f. Such other method as may be prescribed

The other method for determination of the arm's length price shall be any method which considers the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.

The most appropriate method shall be applied, for determination of arm's length price. Where more than one price is determined by the most appropriate method, the arm's length price shall be taken to be the arithmetical mean of such prices.

Here, it is worth noting that "transaction on arm's length" may not mean a price at which the third parties transact similar goods. The term "arm's length basis" means a bundle of terms and conditions including price and not price alone, in isolation of other terms and conditions.