

## **CELEBRITY FASHIONS LIMITED**

### **Related Party Transaction Policy**

#### **INTRODUCTION**

The Board of Directors (“Board”) of Celebrity Fashions Limited (“Company”) has adopted the following policy and procedures with regard to Related Party Transactions as defined below. This policy will be effective October 1, 2014. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions.

#### **PURPOSE**

This policy is largely framed based on Listing Agreement entered by the Company with the Stock Exchanges and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

#### **DEFINITIONS**

“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company under provisions of Listing agreement and Companies Act, 2013, from time to time.

“Board of Directors” or “Board” means the Board of Directors of Celebrity Fashions Limited, as constituted from time to time.

“Key Managerial Personnel” or “Key Management Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made thereunder.

“Policy” means Related Party Transaction Policy.

‘Related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a company if that person:
  - a. is a related party under Section 2(76) of the Companies Act, 2013; or
  - b. has control or joint control or significant influence over the company; or
  - c. is a key management personnel of the company or of a parent of the company; or
2. An entity is related to a company if any of the following conditions applies:
  - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
  - c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
  - d. Both entities are joint ventures of the same third party; or

- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or

**Explanation:** For the purpose of Clause 49(V) and Clause VII(B), the term “control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“Related Party Transaction” means transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

“Relatives”: “Relative”, with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed, which is as follows:
  - (a) Father (including step-father)
  - (b) Mother (including step-mother)
  - (c) Son (including step-son)
  - (d) Son’s wife
  - (e) Daughter
  - (f) Daughter’s husband
  - (g) Brother (including step-brother)
  - (h) Sister (including step-sister)

“**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.

## **POLICY**

All Related Party Transactions must be reported to the Audit Committee for its approval prior to initiation of actual transaction in accordance with this Policy.

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

Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company has to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The potential related party transaction shall be any contract or arrangement entered by the Company with related party such as:

- Sale, Purchase or Supply of any goods or materials;

- Selling or otherwise disposing of, or buying property of any kind;
- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and Underwriting the subscription of any securities or derivatives thereof, of the Company
- Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged as per the Listing Agreement.

### **Review of Related Party Transactions**

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee at a meeting. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction specifically mentioned in Annexure 1, including the terms of the transaction, the business purpose of the transaction and any other relevant matters.

### **Considerations for Approval of Related Party Transactions .**

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction 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;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- vi. Whether the Related Party transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the

considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

If a Related Party Transaction will be ongoing, the Audit Committee may establish guidelines for the management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

### **Overall framework of Approval for Related Party Transactions**

#### **Level 1 - Audit committee Approval**

All Related Party Transactions shall be referred to Audit Committee for prior approval

#### **Level 2 - Board Approval**

All such Related Party Transactions have to be mandatorily approved by the Board

#### **Level 3 – Shareholder's Approval**

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement

#### **Standing Pre-Approval / Omnibus approval by Audit Committee**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.

The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. The Committee shall on an annual basis review and assess such transactions including the limits to

ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

#### **Decision regarding transaction in ordinary course of business and on arm's length basis**

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

#### **Material Related Party Transaction**

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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

#### **EXCEPTIONS**

Notwithstanding the foregoing, the following Related Party Transactions shall not require specific approval of the Audit Committee:

- (a) Any transaction with Wholly owned subsidiaries in the ordinary course of operations.
- (b) Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, and in line with the terms of Appointment
- (c) 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.

#### **DISCLOSURE**

The particulars of contracts or arrangement with related parties referred in section 188(1) of the Companies Act 2013 should be disclosed in the Directors Report for the financial years commencing on or after April 1, 2014 in Form AOC-2 enclosed as Annexure-I.

The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

#### **AMENDMENTS**

The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Audit Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other Related Party Transactions. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

#### **Note:**

The provisions of the Companies Act, 2013 and rules thereto and the Listing Agreement (including any amendment thereto from time to time) to the extent applicable, shall be apply in addition to this policy.

**Annexure I**  
**Form No. AOC-2**

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

**1. Details of contracts or arrangements or transactions not at arm's length basis**

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts / arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any
- (e) Justification for entering into such contracts or arrangements or transactions
- (f) Date(s) of approval by the Board
- (g) Amount paid as advances, if any:
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

**2. Details of material contracts or arrangement or transactions at arm's length basis**

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts / arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
- (e) Date(s) of approval by the Board, if any:
- (f) Amount paid as advances, if any: