

VADILAL INDUSTRIES LIMITED
Policy on Related Party Transactions

1. INTRODUCTION

The Board of Directors (the “Board”) of Vadilal Industries Limited (the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions (including materiality of related party transactions and dealing with related party transactions) as defined below. The Audit Committee will review and shall, from time to time, recommend amendments, if any, in this policy to the Board.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. PURPOSE

This policy is primarily framed based on the provision of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the provisions of Companies Act, 2013 (the “Act”) including Rules made there under, and are primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

3. DEFINITIONS

“Associate company” 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.

Explanation – For the purpose of this clause, “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

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

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

“Key Managerial Personnel” or “Key Management Personnel (KMP)” means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made there under and includes:

1. Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
2. Company Secretary; and
3. Chief Financial Officer

“Material Related Party Transaction” in terms of SEBI LODR means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:

- (i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
- (ii) In case of any other transaction(s), if the amount [exceeds Rs 1,000 crores or] 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, [whichever is lower] or such other limits as may be specified in the applicable Regulations as amended and in force from time to time.

[“Material Modification” means modification having variation of more than 20% (twenty percent) of the financial terms/parameters, specified in the existing related party transaction in comparison to the previously approved relevant financial terms/parameters.

Provided however that the following shall not be regarded as material modification:

(a) If there is any variation in the aggregate value of the related party transaction due to change in the quantity of the related party transaction where there was no previously agreed upon quantity in the previously approved related party transaction/agreement/arrangement; and/or

(b) If there any modification/variation in the aggregate value of the related party transaction due to change in the price/value where such change is as a result of previously agreed upon clause in the previously approved related party transaction/agreement/arrangement.

“Policy” means this Policy on Related Party Transactions which inter alia deals with materiality of and dealing with related party transactions

“Related Party” means related party as defined under Section 2(76) of the Companies Act, 2013 and the rules framed thereunder or under the applicable accounting standards:

[The following shall also be treated as the Related Party –

- a. all persons or entities forming part of promoter or promoter group irrespective of their shareholding;
- b. any person/entity holding equity shares in the listed entity, as below, either directly or on a beneficial interest basis at any time during the immediately preceding financial year:
 - i. to the extent of 20 % or more
 - ii. to the extent of 10% or more w.e.f. April 1, 2023].

Provided such other person or entity shall be included or excluded as a Related Party as may be specified in the applicable provisions including listing regulations as amended from time to time.

“Related Party Transaction or transaction (“RPT)” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged or not.

Explanation – A “transaction” with a Related Party shall be construed to include single or a group of transactions in a contract.

[The RPT shall include transactions between –

- a. the Company or any of its subsidiaries on one hand and a related party of the 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 w.e.f. April 1, 2023.]

Provided that such other transaction may be included or excluded from the meaning of Related party transaction as may be specified in the applicable provision including listing regulations as amended from time to time.

Transactions `in ordinary course of business’

With particular reference to the company - Vadilal Industries Limited, following transactions in the context of business of the company have been identified as **Transactions `in ordinary course of business’** of the company. These are only example and not an inclusive list:

1. Sale of Goods, Materials and Services;
2. Purchase of Goods, Materials and Services;
3. Payment of expenses of Joint Venture Company;
4. Reimbursement of actual out of pocket expenses incurred from/to the Company to/ from the Related Party;
5. Reimbursement of ESOP Expenses from subsidiaries;
6. Payment of remuneration (including sitting fee, if any) to Related Parties from the company or subsidiaries, where they are working in a whole time position or as a director.

Transactions on an `Arms length basis’ shall mean and include transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

4. POLICY

4.1. Identification of Related Party

Each Director and Key Managerial Personnel is responsible for providing notice to the Board regarding persons and entities to be considered as "Related Parties" by virtue of his/her being Director/ KMP in the company. Such Notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

4.2. Identification of Potential Related Party Transactions

On the basis of notices received from Directors and Key Managerial Personnel and the requirements of provisions of applicable laws, the Management shall identify and provide notice to the Audit Committee or Board, as may be required, of any potential Related Party Transaction with any person or entity as informed by the Director/KMP under clause 4.1 above, AND other entities in which the Company is interested so as to qualify them under the definition of Related Party, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

4.3. Review and Approval of Related Party Transactions

Approval of Audit Committee

All Related Party Transactions and subsequent material modification thereto shall require prior approval of Audit Committee either at a meeting or by resolutions by circulations.

- Every Related Party Transaction and subsequent Material Modifications thereto shall be subject to the prior approval of the Audit Committee.

[Members of the audit committee, who are independent directors, shall only approve related party transactions].

- The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to compliance of the conditions contained in the Companies Act, 2013 and SEBI LODR as amended from time to time.

Such omnibus approval shall specify:

- The name/s of the related party, nature of transaction, period of transaction, tentative amount of transaction that can be entered into,
 - The indicative base price / current contracted price and the formula for variation in the price if any; and
 - Such other 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, Audit Committee may grant omnibus approval for such transactions subject to their value cannot exceeding Rs. 1 crore per transaction.
 - The Audit committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- [Prior approval of the Audit committee shall be required for
 - a. All RPTs and subsequent Material Modifications;

b. RPTs where Company's subsidiary is a party but Company is not a party, if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the consolidated turnover of the Company, as per the last audited financial statements of the Company:

c. with effect from April 1, 2023, a related party transaction to which the Company's subsidiary is a party but the Company is not a party, 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 such subsidiary.

Provided that prior approval of the audit committee of the Company shall not be required for RPTs where a listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and 15 (2) of SEBI LODR are applicable to such listed subsidiary.]

The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company. If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

- The Audit Committee shall also review the statement of significant related party transactions submitted by management as per its terms of reference
- Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction
- To review a Related Party Transaction, the Committee shall be provided with the necessary information [(as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time)], to the extent relevant, with respect to actual or potential Related Party Transactions
- The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy

4.4. Criteria for granting approval (including omnibus approval)

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:

1. Whether the transaction is in the ordinary course of business of the company.
2. 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;
3. 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;
4. Whether the Related Party Transaction would affect the independence of the directors/KMP;
5. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
6. 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
7. 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 Committee deems relevant.

4.5. Criteria for Arm's length Basis

- For any transaction with wholly owned subsidiary company or in cases where vendor is specific and multiple

vendors may or may not be available, the transactions shall be considered to be on an arm's length basis in the following circumstances:

In case of Sale transaction by Vadilal Industries Limited

- Price is determined in accordance with the relevant transfer pricing norms/rules as per the Indian Income Tax Act;

In case of Purchase transaction by Vadilal Industries Limited

- Price is determined in accordance with the relevant transfer pricing norms/rules of the respective country;

For transactions with Related Parties, other than wholly owned subsidiary company, in cases where vendor is not specific and also multiple vendors are available, the transactions shall be considered to be on an arm's length basis in the following circumstances:

1. Clear specifications (including, *inter alia*, the quantity and quality) of the transaction are made available by the Company;
2. Based on the specifications at least two quotations from different vendors (other than Related Parties) have been sought by the Company;
3. Based on the specifications and quotations received the evaluation based on the above criteria/consideration for granting approval (as set forth above) has been done in the best interest of the Company.

4.6. Approval of Board and the Shareholders

- All Related Party Transactions which are not in the ordinary course of business or not at the arm's length price shall require prior approval of the Board of Directors of the Company. Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Further, all related party transactions [which are not in the ordinary course of business or not at the arm's length price **and** are] exceeding threshold limits prescribed in the Act, shall also require prior approval of shareholders of the Company and [all entities falling under the definition of Related Parties shall not vote to approve the relevant transaction, irrespective of whether the entity is a party to the particular transaction or not.]

[Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time shall be provided in the Notice to the shareholders for consideration of RPTs.]

- All Material Related Party Transactions [and subsequent Material Modifications thereto] shall require [prior] approval of the shareholders and [no Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.]

[Provided that prior approval of shareholders of the Company shall not be required for RPTs where listed subsidiary is a party but the Company is not a party, if regulation 23 and 15 (2) of SEBI LODR are applicable to such listed subsidiary.]

Provided that the aforesaid requirements shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Provided that the Material Related Party Transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at

the general meeting for approval shall not require approval of the shareholders.

[Provided that the provisions pertaining to –

- Prior approval of the Audit Committee for all RPTs;
- Omnibus approval for RPTs; and
- Prior approval of shareholders for Material Related Party Transactions and subsequent Material Modifications

shall not be applicable when the transactions are 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.]

4.7 Transactions not requiring approval of Audit Committee, Board or Shareholders

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

1. Any transaction that involves the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
2. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all holders of such securities receive the same benefits pro rata as the Related Party.

4.8 Transactions not requiring approval of Board or Shareholders

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

1. Contracts entered into by the Company pursuant to section 297 of the Companies Act 1956, which already come into effect before the commencement of section 188 of the Companies Act, 2013, will not require fresh approval under section 188 of the Companies Act, 2013, till the expiry of the original term of such contracts. Thus if any modification in such contract is made on or after April 1, 2014, the requirements under section 188 of the Companies Act'2013 will have to be complied with.
2. Transactions entered into by the company in the ordinary course of business with its wholly owned subsidiary, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate in accordance with the provisions of companies Act, 2013 and the Listing agreement.

6. DISCLOSURES

- The details of material Related Party Transaction with proper justification shall be disclosed in the Directors Report.

- Specified details of [Material RPTs placed for approval of the members shall be provided in the notice given to the shareholders].
- Specified details of material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall submit specified disclosure of information related to RPTs to be provided to the stock exchanges every six months in the format specified by the SEBI with the following timelines:
 - i. within 15 days from the date of publication of financials;
 - ii. simultaneously with the financials w.e.f. April 1, 2023]
 and also publish the same on its website.
- The Company shall disclose policy on dealing with Related Party Transactions on its website and the link of the same will be given in the Annual Report.

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

7. AMENDMENTS TO THE POLICY

- The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.
- In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc. The Related Party Transaction policy was originally approved by the Board of Directors of the Company on the recommendation of the Audit Committee.
- The Related Party Transaction Policy was reviewed by the Board of Directors of the Company on 14-11-2024