



A. K. Capital Services Limited

Policy on Materiality and Dealing with Related Party Transactions

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Table of Contents

Sr. No.	Particulars	Page Nos
1	Background	3
2	Objective of the Policy	3
3	Definitions	3
4	Materiality Thresholds	4
5	Material Modification	4
6	Manner of Dealing with Related Party Transactions	5
7	Approval requirements for Related Party Transactions	5
8	Disclosures & Reporting Requirements	11
9	Scope/ Limitation	11
10	Policy Review	12
11	Annexure A	12

1. Background

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 (“the Act”) read with the rules framed thereunder and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”), A. K. Capital Services Limited (“AKCSL” or “the Company”) is required to formulate a Policy for identification of related parties and the proper conduct and documentation of all related party transactions.

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

The Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” (“Industry Standards”) were introduced to ensure that the related party transactions are conducted transparently, fairly and in the best interests of the Company and its public shareholders. The detailed disclosures ensure that the Audit Committee and the shareholders have relevant data to assess the transaction’s nature, terms, and potential impact on the Company and to facilitate informed decision-making.

In light of the above, AKCSL has framed this Policy on Materiality and Dealing with Related Party Transactions (“the Policy”) to ensure high standards of Corporate Governance while dealing with Related Parties.

2. Objective of the Policy

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions;
- (b) the manner of dealing with the transactions between the Company, its subsidiaries and its related parties based on the Act, the SEBI LODR Regulations and any other laws and regulations as may be applicable to the Company;
- (c) criteria for granting omnibus approval; and
- (d) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company, its subsidiaries and any of its related parties in the best interest of the Company and its related parties.

3. Definitions

All terms used in this Policy will have the meanings as assigned to them under the Act and the rules made thereunder, SEBI LODR Regulations readwith circular(s), notification(s) and guideline(s) as may be notified by SEBI or any other applicable statutory/regulatory authority from time to time as well as the relevant applicable industry standards, accounting standards, as amended from time to time.

4. Materiality Thresholds

Regulation 23 of the SEBI LODR Regulations requires the Company to lay down materiality thresholds for transactions beyond which approval of the shareholders through a resolution will be required.

AKCSL has fixed its materiality thresholds as prescribed under explanation to Regulation 23(1) of the SEBI LODR Regulations as under:

- (a) In case of Transaction involving payments made to a Related Party with respect to brand usage or royalty, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5 percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements of the Company.

- (b) In respect of any other transaction with a related party, such transaction shall be considered material if the transaction(s), whether entered into individually or taken together with previous transactions during a financial year, exceed the thresholds specified in Schedule XII of SEBI LODR Regulations and attached herewith as Annexure A.

5. Material Modification

Material Modification means any modification or amendment to the related party agreement / transaction which is likely to result in a 20% upward or downward revision in the original contractual value of the related party agreement / transaction approved by the Audit Committee.

6. Manner of Dealing with Related Party Transactions

(a) Identification of Related Parties

The Company has formulated a Framework for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the rules framed there under and Regulation 2(1)(zb) of the SEBI LODR Regulations and applicable accounting standards, as amended from time to time.

(b) Identification of Related Party Transactions

All Related Party Transactions requiring approvals and/or reporting shall be identified by the Company on a continuous basis. Related Party Transactions identified by the Company shall be reported to the Audit Committee of the Company at frequent intervals as may be decided by the Committee from time to time. Each subsidiary company of the Company shall furnish an updated list of its related parties to the company on a quarterly basis.

7. Approval requirements for Related Party Transactions

I. Audit Committee

- (a) All Related Party Transactions and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee of the Company.

Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

Provided further that prior approval of the Audit Committee shall be required for 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 is above rupees One Cores, whether entered into individually or taken together with previous transactions during a financial year, exceeds, the lower of the following:

- (i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
- (ii) the threshold for material related party transactions of the Company as specified in Schedule XII of SEBI LODR Regulations and attached herewith as Annexure A.

- (b) In the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a Company is a party but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the audit committee of the Company shall be obtained if the value of such transaction exceeds the lower of the following:
- (i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
 - (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of SEBI LODR Regulations and attached herewith as Annexure A.

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the audit committee.

Provided further that prior approval of the Audit Committee of the Company shall not be required for related party transaction 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 Regulations are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in above, the prior approval of the audit committee of the listed subsidiary shall suffice.

Provided further that the remuneration and sitting fees paid by the Company or its subsidiaries 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 provisions of Regulation 23(1) of SEBI LODR Regulations.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiaries subject to conditions, namely:

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- (i) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (ii) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- (iii) The omnibus approval shall specify:
- The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price if any;
 - Such other conditions as the Audit Committee may deem fit; and
 - Such other disclosures under applicable laws, SEBI Circulars, Industry Standards as notified by SEBI, as amended from time to time.

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 not exceeding rupees one crore per transaction.

- (c) The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiaries pursuant to each of the omnibus approvals given.
- (d) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- (e) The Audit Committee shall also review the status of long-term or recurring Related Party Transactions on an annual basis.

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.

- (f) The Audit Committee shall also review the statement of significant related party transactions submitted by management as per its terms of reference.
- (g) 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.
- (h) To review a Related Party Transaction, the Committee shall be provided with the necessary information, as prescribed under applicable provisions of the Companies Act, 2013 and rules made thereunder, SEBI LODR Regulations readwith circulars, notifications and guidelines as notified by SEBI from time to time and applicable accounting standards, to the extent relevant, with respect to actual or potential Related Party Transactions.
- (i) The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this Policy and in accordance with applicable provisions of the of the Companies Act, 2013 and rules made thereunder, SEBI LODR Regulations readwith circulars, notifications and guidelines as notified by SEBI from time to time and other applicable Law, if any.

II. Approval of the Board and the Shareholders

- (a) As required under the provisions of Section 188 of the Act, all transactions specified under the said section and 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 by way of Ordinary Resolution 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 applicable provisions of the Companies Act, 2013 and rules made thereunder and/or the SEBI LODR Regulations readwith circulars, guidelines, and directives issued by SEBI and

other relevant statutory or regulatory authority from time to time, shall be included in the Notice issued to shareholders for the consideration of Related Party Transactions.

- (b) All the Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the Board and Shareholders through Ordinary Resolution 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 Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

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 further that the omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications, or circulars issued thereunder from time to time:

Provided further that in case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

Provided further that the Material Related 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 –

- (i) Prior approval of the Audit Committee for all RPTs;
- (ii) Omnibus approval for RPTs; and
- (iii) Prior approval of shareholders for Material Related Party Transactions and subsequent Material Modifications, shall not be applicable in following cases:
 - (c) Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
 - (d) when the transactions entered into between two wholly-owned subsidiaries of the company, whose accounts are consolidated and placed before the shareholders at the general meeting for approval.
 - (d) When the transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

III. **Ratification of Related Party Transactions**

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:

- (a) 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;
- (b) The transaction is not material in terms of the provisions of Regulation 23(1) of SEBI LODR Regulations;

- (c) Rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- (d) The details of ratification shall be disclosed along with the disclosures of Related Party Transactions in terms of the provisions of Regulation 23(9) of SEBI LODR Regulations;
- (e) Any other condition as specified by the Audit Committee; and
- (f) Any other condition as envisaged under the applicable laws.

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 Company against any loss incurred by it.

8. Disclosures & Reporting Requirements

- (a) Every Related Party Transaction which attracts the provisions of Section 188(1) of the Companies Act, 2013 shall provide proper justification which shall be disclosed in the Directors Report.
- (b) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance to the stock exchange and publish the same on its website.
- (c) The Company shall submit disclosure of information related to RPTs to be provided to the stock exchanges every six months in the format specified by the SEBI within the prescribed timelines.

“Provided that the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this sub-regulation provided that the same is not material in terms of the provisions of Regulation 23(1) of SEBI LODR Regulations.”

- (d) The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

9. Scope/ Limitation

In the event of any conflict between the provisions of this Policy and SEBI LODR Regulations / Act or any other statutory enactments, rules, the provisions of such SEBI LODR Regulations / Act or statutory enactments, rules shall prevail over this Policy.

10. Policy Review

This policy is framed based on the provisions of the Act and rules thereunder and the requirements of the SEBI LODR Regulations.

In case of any subsequent changes in the provisions of the 2013 and SEBI LODR 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 by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors. Provided that this Policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

11. Amendments:

The Compliance Officer shall make necessary amendment(s) to this Policy to ensure compliance with any amendments in applicable laws, SEBI LODR Regulations, Circulars, Guidelines, Notifications, Accounting Standards or Industry Standards as may be notified by the SEBI and other relevant authority from time to time and shall place the revised Policy before the Board of Directors at its subsequent meeting.

Annexure A

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 the following:

Consolidated Turnover of Listed Entity	Threshold
(I) Up to 20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than INR 20,000 Crore to upto 40,000 Crore	2,000 Crore + 5% of the annual consolidated turnover of the listed entity above INR 20,000 Crore
(III) More than INR 40,000 crore	3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above INR. 40,000 Crore or INR 5000 Crores, whichever is lower.

Explanation: For the purpose of computing the thresholds stated above, the annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.

Illustration 1. For listed entities in (II)	
If the annual consolidated turnover of a listed entity is INR. 30,000 Crore	INR 2,000 Crore + 5% of remaining INR 10,000 Crore = INR 2,500 Crore
Illustration 2. For listed entities in (III)	
If the annual consolidated turnover of a listed entity is INR. 50,000 Crore	INR 3,000 Crore + 2.5% of remaining INR 10,000 Crore = INR 3,250 Crore
Illustration 1. For listed entities in (III)	
If the annual consolidated turnover of a listed entity is INR. 50,000 Crore	INR 3,000 Crore + 2.5% of the remaining 1,10,000 Crore = INR 5,750 Crore. However, threshold for material related party transaction would be INR 5,000 Crore as it is lower than INR 5,750 Crore.
