

**A. K. CAPITAL SERVICES LIMITED**

**CIN: L74899MH1993PLC274881**

**Policy on Materiality and dealing with Related Party Transactions**

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**A. K. CAPITAL SERVICES LIMITED**

This Policy shall be called **“Policy on Materiality and dealing with Related Party Transactions”**.

**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 (“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 Listing 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 Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, AKCSL has framed this Policy on Materiality and Dealing with Related Party Transactions (“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 and its related parties based on the Act, the SEBI Listing 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 and any of 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 Listing Regulations and applicable accounting standards, as amended from time to time.

**4. Materiality Thresholds**

Regulation 23 of the SEBI Listing 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 at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing 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.
- b. In case of any other Transaction, if the amount of the Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds (INR 1,000 crore or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, (whichever is lower)).

## **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 Listing 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.

## **7. Approval requirements for Related Party Transactions**

### **I. Audit Committee**

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

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 whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of such subsidiary.

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 Listing Regulations are applicable to such listed subsidiary.

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 Listing Regulations.

- b. 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-
  - i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company 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:
    - 1. The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
    - 2. The indicative base price / current contracted price and the formula for variation in the price if any;
    - 3. Such other conditions as the Audit Committee may deem fit; and
    - 4. Such other disclosures under applicable laws 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 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.
- i. The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this Policy.

## **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.
- b. 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 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 Related Party Transactions.

- c. 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 Related Party Transactions where listed subsidiary is a party but the Company is not a party, if Regulation 23 and 15 (2) of SEBI Listing Regulations are applicable to such listed subsidiary.

Provided further 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 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 further that the provisions pertaining to –

- i. Prior approval of the Audit Committee for all Related Party Transaction;
- ii. Omnibus approval for Related Party Transaction; and
- iii. 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.

### **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 Listing 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 Listing 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 material transactions with related parties shall be disclosed quarterly along with the compliancereport on corporate governance to the stock exchanges.
- c. The Company shall submit disclosure of information related to Related Party Transactions 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 Listing 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 Listing Regulations / Act or any other statutory enactments, rules, the provisions of such SEBI Listing 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 Listing Regulations.

In case of any subsequent changes in the provisions of the 2013 and SEBI Listing 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.

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