

ACKNIT INDUSTRIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

[Pursuant to Regulation 23 of the SEBI (LODR) Regulations, 2015]

1. INTRODUCTION

This policy is intended to ensure proper approval and reporting of transactions between Acknit Industries Limited and its related parties in terms of the applicable laws and regulations.

2. SCOPE AND PURPOSE OF THE POLICY

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 SEBI (LODR) Regulations, 2015, Acknit Industries limited has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23 of the SEBI (LODR) Regulations, 2015 requires a company to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

In the light of the above, Acknit Industries Limited has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to adoption by the Board.

3. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for Related Party Transactions; (b) Material Modifications of Related Party Transactions; and (c) the manner of dealing with the transactions between the Company and its related parties as per the applicable laws and regulations to the Company.

4. DEFINITIONS

“Act” means the Companies Act, 2013.

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industrial practices and guidelines.

“Company” means Acknit Industries Limited.

“Relative” with reference to a Director or KMP means a person as defined in Section 2(77) of the Act and rules prescribed thereunder.

“Related Party” means a person as defined in Section 2(76) of the Act and under the applicable accounting standards. Further, the following shall be deemed to be a related party:

- a) any person or entity forming a part of the promoter or promoter group of the Company;
or
- b) any person or any entity, holding equity shares:
 - i. of twenty per cent or more; or
 - ii. of ten per cent or more, w.e.f. 1st April, 2023;

in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year.

"Related Party Transactions" means a transfer of resources, services or obligations between:

- (i) the Company on one hand and its related party on the other hand; or
 - (ii) the Company 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, w.e.f. 1st April, 2023;
- regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract, which includes but not limited to the following –

- 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) appointment to any office or place of profit in the Company.

“Material Related Party Transaction” means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transaction(s) during a Financial Year, exceeds Rs. 1000 crore or 10% of annual turnover as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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, either individually or taken together with previous transactions with such related party during a financial year, exceeds five per cent of the annual turnover as per the last audited financial statements of the Company.

“Material Modification” with reference to a Related Party Transaction may include both qualitative and/or quantitative factors which shall include but not limited to the following:

- a) Value of contract
- b) Relief/ waiver causing financial implications
- c) Tenure
- d) Claims of Parties
- e) Relaxation of security interest
- f) Turns into non-arm’s length

“Key Managerial Personnel (KMP)” shall have the meaning as defined under section 203 of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015 and any other applicable laws/regulations.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

IDENTIFICATION OF RELATED PARTIES

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder.

IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(zc) and Regulation 23 of the SEBI (LODR) Regulations, 2015.

The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company will seek external domain expert professional opinion, if necessary.

6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee. Only Independent Directors of the Audit Committee shall approve Related Party Transactions.

The Audit Committee shall, specify the criteria for granting omnibus approval for Related Party Transactions, which shall include the following:

- The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into under the omnibus approval mechanism;
- Maximum value of transactions, in aggregate, which can be allowed under the omnibus approval mechanism;
- Maximum value per transaction which can be allowed;
- The indicative base price / current contracted price and the formula for variation in the price if any;
- Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- Transactions which cannot be covered under the omnibus approval mechanism.

Based on the criteria mentioned above, the Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature.

While assessing a proposal for approval under the omnibus mechanism, the Audit Committee shall satisfy itself on the need for such approval and that the same is in the interest of the Company.

Transactions of the following nature are not to be subjected to the omnibus approval mechanism:

- Transactions which are not in the ordinary course of business or not at arm's length.
- Transactions which are not repetitive or unforeseen in nature.
- Transactions exceeding the threshold limits specified for omnibus approval.
- Transactions in respect of sale or disposal of the undertaking of the Company.
- Any other transaction(s) as may be specified by the Audit Committee.

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

The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval given.

In the event any contract or arrangement with a related party that is not in the ordinary course of business or not at arm's length, the Company shall comply with the provisions of the Act and the Rules framed thereunder and obtain approval of the Board or the shareholders, as applicable, for such contract or arrangement.

Related Party Transactions that are required to be approved by the Board and / or any other Board Committee shall not require separate approval of the Audit Committee, such as transactions relating to appointment and remuneration of Directors and Key Managerial Personnel, payment of Dividend (including Interim Dividend), CSR spends by the Company etc.

All material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders of the Company.

7. DISCLOSURES

Disclosures in respect of Related Party Transactions shall be made in accordance with the applicable laws / regulations.

8. POLICY REVIEW

In the event of any inconsistency between this Policy and the applicable laws, the applicable laws will prevail.

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.

The Policy shall be reviewed by the Board at least once in every 3 years or at any time as may deem fit by the Board, whichever is earlier.

Note: This Policy is amended and approved by the Board of Directors on recommendation of the Audit Committee at their meeting held on 11th February, 2022.
