

**PRAKASH WOOLLEN & SYNTHETIC MILLS
LIMITED**

Policy On Related Party Transaction

DATE OF APPROVAL	28 May 2022
APPROVED BY THE BOARD OF DIRECTORS	
Daya Kishan Gupta (Managing Director)	

PRAKASH WOOLLEN & SYNTHETIC MILLS LIMITED

Policy on Related Party Transactions

1. Introduction

Prakash Woollen & Synthetic Mills Limited (“Company” or “PWASML”) has adopted policy regarding Related Party Transactions in order to set forth the procedures for transactions with Related Parties. (As defined below)

The Objective of this Policy is to define and lay down procedures to deal with the identification, approval and disclosure of Transactions with Related Parties so that such transactions are in the best interests of the Company, in conformity with the requirements of Companies Act, 2013 and Rules made thereunder, applicable Accounting Standards and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (referred hereinafter as “SEBI (LODR), 2015).

This Policy would be put on the website of the Company www.prakashwoollen.com

2. Definitions

“**Act**” means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“**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.

“**Audit Committee**” means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of the SEBI (LODR), 2015.

“**Board of Directors**” means the Board of Directors of the Company as constituted from time to time.

“**Independent Director**” means an independent director referred to in Section 149(6) of the Companies Act, 2013, and LODR.

“**Company**” means Prakash Woollen & Synthetic Mills Limited.

“**Director**” means a person as defined in Section 2(34) of the Companies Act, 2013.

“**Employees**” shall mean the employees and office-bearers of the Company, including but not limited to Directors.

“**Key Managerial Personnel**” shall mean the officers/employees of the Company as defined in Section 2(51) of the Companies Act, 2013 and appointed as such.

“Material Related Party Transactions” 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].

“Material Modification” means any modifications to the material related party transactions which were approved by the Audit Committee or Shareholders during the year which will change the complete nature of the transaction and in case of monetary thresholds which is in excess of 10% of the originally approved.

“Office or place of Profit” means any office or place – (i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent free accommodation or otherwise; (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent free accommodation, or otherwise.

“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 principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

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

1. they are members of a Hindu Undivided Family;
2. they are husband and wife; or
3. if he or she is related to another in the following manner:
 - 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

“Related Party” with reference to the Company, means—

- i. A director or his relative;
- ii. A key managerial person or his relative;
- iii. A firm, in which a director, manager or his relative is a partner;
- iv. A private company in which a director or manager or his relative is a member or director;
- v. A public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. Any Body Corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- vii. Any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that sub-clauses (vi) and (vii) will not be applicable where the advice, directions or instructions are given in a professional capacity;
- viii. Any Body Corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venturer of the company;"

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

- ix Any person or entity forming a part of the promoter or promoter group of **PWASML**; or
 - (a) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in **PWASML** either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:”

“Related party transaction” means a transaction involving a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, including but not limited to the following:

A transaction shall be construed to include a single transaction or a group of transactions in a contract.

The RPT shall include transactions between -

- (i) a listed entity on one hand and a related party of the listed entity on the other hand; or
- (ii) a listed entity 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 listed entity with effect from April 1, 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:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s);

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (LODR), 2015, Securities Contract Regulation Act or any other applicable Rule/Regulation.

“**Significant Influence**” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

3. Related Party Transactions under the Policy

Applicability

The new regime under Companies Act, 2013 and SEBI (LODR), 2015 covers in its ambit almost all the dealings and transactions with related parties.

This Policy covers all such Related Party Transactions, as defined under the Act and the SEBI (LODR), 2015 except those specifically excluded under the Act or which are specifically dealt under the separate provisions of the laws.

Exclusions

The transactions or arrangements which are specifically dealt under the separate provisions of the laws and executed under separate approvals/ procedures shall not be covered under this Policy. Examples of such transactions are as follows:

- a) Appointment and payment of remuneration, including any variation, to Key Managerial Personnel (KMP);
- b) Payment of remuneration, fee, commission etc. to any director in compliance with legal provisions;
- c) Issue of shares/ securities to related party(ies);
- d) Any benefits, interests etc. arising to related party (ies) solely from the ownership of company's shares at par with other holders e.g. dividends, rights issue, stock split, bonus shares etc.
- e) Shares based incentive plans for the benefits of directors or KMPs approved by the shareholders including ESOPs;
- f) CSR Contributions.

A) Approval of Audit Committee

Pursuant to Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of LODR, all related party transactions and subsequent material modifications shall require approval of the Audit Committee and the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall, specify the criteria for making the omnibus approval, in line with the policy on Related Party Transactions of the Company.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- c. The omnibus approval shall contain/indicate/ specify
 - i. the name/s of the related party,
 - ii. nature of transaction and period/duration of transaction,
 - iii. maximum amount of transaction that can be entered into,
 - iv. the indicative base price / current contracted price and the formula for variation in the price if any and
 - v. any other information relevant or important for the Audit committee to take a decision on the proposed transaction or such other conditions as the Audit Committee may deem fit;
 - vi. where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction
- d. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company

B) Approval of the Board

All transactions which are not in the Ordinary course of business or an Arm's Length Transaction, the Company shall comply with the provisions of Section 188 of the Companies Act, 2013 and the rules framed thereunder and obtain approval of the Board or its shareholders as applicable, for such contract or arrangement.

C) Approval of the Shareholders

All material Related Party Transactions and subsequent material modifications as defined by the audit committee shall require approval of the shareholders through Resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

4. DISCLOSURES

1. Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
2. Material RPTs shall be provided in the notice to shareholders.
3. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
4. The Company shall submit enhanced 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.
5. The Company shall disclose policy on dealing with Related Party Transactions on its website.

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

- All Directors/KMP are required to disclose the parties/ entities in which they are deemed to be interested directly or indirectly, in prescribed form, at the time of appointment, annually and whenever there is any change in the disclosure so made.
- Further, each Director and KMP of the Company shall promptly notify the Company Secretary, of any transaction or Relationship that could reasonably be expected to give rise to a conflict of interest.
- At the beginning of every Financial Year, Company Secretary will identify and prepare list of all Related Parties, based on disclosure of Interest received from Directors and KMPs and circulate to Chief Financial Officer, Profit Centre Head and Head Finance & Accounts.

- Based on the list of Related Parties received, CFO will prepare details of different categories of Related Party Transactions which are likely to be entered into during the year along with estimated, period, rationale, pricing and commercial terms etc. Likewise, all emergency Related Party Transactions not reported earlier will also be reported.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.
- Every related party transaction, if required under law/SEBI (LODR), 2015 shall be referred to in the Board's report along with the justification for entering into such contract or arrangement.
- Disclosure of Related Party Transactions as required by any Accounting Standard would be made in the financial statements.
- 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.
- The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

5. Whistle blower for any Related Party Transaction entered by Company in non-compliance of such policy

Any officer or employee, can approach /access the vigil mechanism or Company Secretary to report a fraudulent related party transaction.

6. Guidance Principles for approval of a Related Party Transaction by the Board/ Committee thereof

In determining whether to approve a Related Party Transaction, following factors, among others, to the extent relevant to the Related Party Transaction shall be taken into account :

- 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 or other related party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other related party interest in the transaction and the ongoing nature of any proposed relationship and any other factors the board/ committee deems relevant.
- vii. If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Audit Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

8. Consequences of non-compliance of such policy for any Related party transaction

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the Employee(s). Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under Companies Act and Listing Agreement.

9. REGISTERS AND RECORDS

Particulars of all contracts or arrangements covered by Section 188 would be entered in the Register of Contracts or arrangements in which directors are interested and would be placed before the Board of Directors at its meetings and would be open for inspection to the Members of the Company as provided in Section 189 of the Act.

Further, records and information required under Companies (Cost Records and Audit) Rules, 2014, shall also be maintained.

10. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.