


PRAKASH WOOLLEN & SYNTHETIC MILLS LIMITED

Policy on Related Party Transaction

DATE OF FIRST APPROVAL	01 st October 2014
AMENDED ON	12 th February 2025
APPLICABLE FROM	12 th February 2025
APPROVED BY BOARD OF DIRECTORS	 (Chairman of the Meeting)

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.

“**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.

“**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

- (a) a permanent employee of the company who has been working in India or outside India; or
- (b) a director of the company, whether a whole-time director or not but excluding an independent director; or

“**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**” a transaction with a related party shall be considered material if the transaction / transactions to be entered into, either individually or taken together with previous transactions with such related party during a financial year, exceeds ten percent of

the annual turnover of the Company as per the last audited financial statements of the company and as defined under SEBI (LODR) Regulations, 2015, and applicable to the company.

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 individually or taken together with previous transactions during a financial year, exceed two percent of the annual turnover of the listed entity as per the last audited financial statements of the listed entity.

'Material Modification in Related Party Transactions' in terms of SEBI Listing Regulations, 2015, means any modification(s) in the price, quantity and overall transaction value having a variance of 10% or more, in the relevant previously approved Related Party Transaction.

"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 ten per cent or more, 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, 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 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:

d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

(e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors:"

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, the Depositories Act, 1996 and or any other applicable Rule/ Regulation.

3. Related Party Transactions under the Policy

(A) 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.

(B) Approval of Audit Committee

(2) All related party transactions [and subsequent material modifications] shall require 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:

- (a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions.
- (b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 consolidated turnover, as per the last audited financial statements of the listed entity;
- (c) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 the subsidiary;
- (d) Prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.
- (e) remuneration and sitting fees paid by the listed entity or its subsidiary 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 sub-regulation (1) of this regulation.
- (f) 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:
 - (i) 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;
 - (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
 - (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
 - (v) any other condition as specified by the audit committee;

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 listed entity against any loss incurred by it.”

(C) Omnibus Approval by Audit Committee

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary company subject to the following conditions, namely-

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 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.
- 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, nature of transaction and period/duration of transaction, maximum amount of transaction that can be entered into,
 - ii) the indicative base price / current contracted price and the formula for variation in the price if any and
 - iii) 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 make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals 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:

All material related party transactions [and subsequent material modifications as defined by the audit committee under sub-regulation (2)] shall require prior 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.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

(5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:

- (a) Transactions entered into between two public sector companies;
- (b) 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.
- (c) Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- (d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (e) Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand."

(D) Approval of the Board

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

- (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) Such related party's appointment to any office or place of profit in the company,
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

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.

(E) 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

(i) Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company

(ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent amounting to ten percent or more of net worth of the company.

(iii) Leasing of property any kind amounting to ten percent or more of the turnover of the company.

(iv) Availing or rendering of any services, directly or through appointment of agent amounting to ten percent or more of the turnover of the company.

(v) For appointment to any office or place of profit in the company at a monthly remuneration exceeding two and a half lakh rupees.

(vi) Underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth of the company.

The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars, namely:-

(a) name of the related party;

(b) name of the director or key managerial personnel who is related, if any;

(c) nature of relationship;

(d) nature, material terms, monetary value and particulars of the contract or arrangements;

(e) any other information relevant or important for the members to take a decision on the proposed resolution.

4. Disclosures

1. Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
2. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. The Company shall submit enhanced disclosure of information related to RPTs to the stock exchange in every six months in the format specified by the SEBI with the following timelines:

On the date of publication of its standalone and consolidated financial results, 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.

Provided further that the remuneration and sitting fees paid by the listed entity 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

4. 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 , KMP, Promoters & Promoters group 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.

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:

- 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;
- 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;
- Whether the Related Party Transaction would affect the independence of the directors/KMP;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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
- 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

7. 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 SEBI (LODR), 2015.

8. 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.

9. 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.

This Policy has been duly amended by the Board of Directors in its meeting held on February 12th, 2025.