

Policy on Determining Materiality of and Dealing with Related Party Transactions

1. SCOPE OF THIS POLICY

Akar Auto Industries Limited (hereinafter referred to as “the Company”) is mainly engaged in the business of manufacturing and trading of hand tools, commercial automotive forging, leaf springs. As a part of its business activity, the Company deals with entities which are related parties. The Company recognises that 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 there under and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), the Company had formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. In view of the various circulars and clarifications issued by the Ministry of Corporate Affairs and the Stock Exchanges from time to time and pursuant to the SEBI LODR, the Board of Directors has, on the recommendation of the Audit Committee, adopted the following policy and procedures with regard to Related Party Transactions. This policy will supersede the earlier Policy on Related Party Transactions adopted by the Board and will be applicable to all the transactions that the Company may enter into on or after 1st April, 2022 with its Related Parties.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI LODR and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- “**Audit Committee**” means the Audit Committee of Board of Directors of the Company constituted under provisions of SEBI LODR and the Act.
- “**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.
- “**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.
- “**Material Related Party Transaction**” means a transaction with a Related Party which is material in terms of the provisions of the Act and SEBI LODR, as amended from time to time.

- **“Ordinary course of business”** would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per its Memorandum & Articles of Association.
- **“Related Party”** means a related party as defined under Section 2(76) of the Companies Act, 2013 or Rules made thereunder and Regulation 2(1)(zb) of SEBI LODR, as amended from time to time.
- **“Related Party Transaction”** (RPT) shall mean such transactions as specified under Section 188 of the Act or rules made thereunder and under Regulation 2(1)(zc) of SEBI LODR, as amended from time to time.
- **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

All capitalised terms used in this policy document but not defined herein shall have the meaning ascribed to such term in the Act and the Rules framed thereunder, Securities Contracts (Regulation) Act, 1956 and the SEBI LODR or any other applicable law or regulation as amended from time to time.

4. MATERIALITY THRESHOLDS

A transaction with a Related Party (except those relating to brand usage or royalty) shall be considered material if such transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.1,000 Crores or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

Transaction(s) involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if such transaction(s) to be entered into individually or taken together with previous transactions, of similar nature, during a financial year, exceed 5% of the annual consolidated turnover of the Company as per its last audited financial statements.

5. MATERIAL MODIFICATIONS

Material modification of Related Party Transaction will mean and include any modification to an existing Related Party Transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

6. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

Related Party Transactions are prohibited, unless prior approval is taken from the Audit Committee and/or the Board of Directors of the Company in accordance with this policy. In dealing with Related Party Transactions, the Company will follow the following approach:

6.1 Identification of related parties

All Directors are responsible for informing the Company of their interest as under (including interest of their Relatives) in other companies, firms or concerns at the time of appointment, at the beginning of every financial year and within 30 days of any change in such interest during the year:

- I. Names of his/her Relatives;
- II. Partnership firms in which he/she or his/her Relative is a partner;
- III. Private Companies in which he/she or his/her Relative is a member or a Director;
- IV. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- V. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his/her advice, directions or instructions; and
- VI. Persons on whose advice, directions or instructions, he/she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel (KMP) of the Company will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

- I. Names of his/her Relatives;
- II. Partnership firms in which he/she or his/her Relative is a partner;

In addition, all Directors, KMPs, officers authorised to enter into contracts/arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction, including any additional information about the transaction that the Audit Committee/Board may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Any person or entity forming part of the promoter or promoter group of the Company or any person or any entity, holding equity shares:

- I. of twenty per cent or more, with effect from 1st April, 2022; or
- II. of ten per cent or more, with effect from 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; shall be deemed to be a related party.

Besides the above, the Company will also identify other Related Parties as required under the Companies Act, 2013 and Rules thereunder and the SEBI LODR as may be applicable.

6.2 Identification of Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

6.3 Procedure for approval of Related Party Transactions

A. Approval of the Audit Committee

1. All Related Party Transactions and material modifications thereto shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.
2. A Related Party Transaction to which any subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions:
 - during the financial year 2022-23, exceeds ten per cent of the annual consolidated turnover of the Company for the financial year 2021-22; and
 - during the financial year commencing from 1st April, 2023 onwards, exceeds ten per cent of the annual standalone turnover of the respective subsidiary.

The turnover, as referred above, shall be computed as per the latest audited financial statements of the Company or its subsidiary, as the case may be.
3. The Audit Committee shall review the information as prescribed under the Act and SEBI LODR, for approval of a proposed Related Party Transaction.

B. Omnibus approval by Audit Committee

The Audit Committee may grant omnibus approval for Related Party Transactions and such approval shall be applicable in respect of transactions which are repetitive in nature.

1. The Audit Committee shall grant omnibus approval as per following criteria:
 - I. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
 - II. The omnibus approval shall provide:
 - a. the name/s of the Related Party, nature of transaction, period of transaction;
 - b. maximum amount of transaction that can be entered into;
 - c. basis for arriving at the contracted price as per the Company's standard operating procedure;
 - d. Specific reason for entering into contract with the Related Party (e.g. proximity to the plant, preference of the OEM, quality of service/ product delivered);
 - e. Any other information relevant or important for the Audit Committee to take decision.
 - III. However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. One Crore per transaction.

2. Audit Committee shall review, at least on a quarterly basis, details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
3. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
4. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
5. Any other conditions as the Audit Committee may deem fit.

C. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of Transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, shall be placed before the Board for its approval.

All material Related Party Transactions and Material Modifications thereto, shall require approval of the Board of Directors, before the same is / are recommended for approval of the shareholders of the Company.

Where any director is interested in any Related Party Transaction, such director will not remain present at the meeting when such Related Party Transaction is considered.

D. Approval of the Shareholders of the Company

All material Related Party Transactions and Material Modifications thereto shall require prior approval of shareholders through resolution.

In addition to the above, transactions with Related Party(ies) as mentioned in the table below, which are not in the ordinary course of business or are not at arm's length shall require approval of shareholders by way of a resolution.

Sr. No.	Details of transactions to be entered individually or taken together during a financial year	Minimum threshold requiring Shareholders Approval
1.	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
2.	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
3.	Leasing of property of any kind.	Amounting to ten percent or more of the turnover of the Company
4.	Availing or rendering of any services directly or through appointment of agent.	Amounting to ten percent or more of the turnover of the Company

5.	Appointment to any office or place of profit in the company, its subsidiary companies or associate companies at a monthly remuneration.	Remuneration exceeding Rs. 2.5 Lakh per month
6.	Remuneration for underwriting the subscription of any security or derivatives thereof of the Company.	Remuneration exceeding one percent of the net worth

The turnover or net worth shall be on the basis of the Company's audited financial statements for the preceding financial year.

The Related Parties shall abstain from voting on such resolution(s) whether the entity is a related party to the particular transaction or not.

E. Exceptions to Related Party Transactions

The following transactions entered into with the related parties, shall be considered as **not to be** Related Party Transactions:

1. 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.
2. 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.

7. DISCLOSURES

1. The Company will submit to the Stock Exchange(s) disclosure of Related Party Transactions every six months as mentioned in Regulation 23(9) of SEBI LODR.
2. The Company will disclose the Policy on dealing with Related Parties on its website www.akartoolsltd.com and provide a weblink thereto in the Annual Report.

8. AMENDMENT TO THE POLICY

Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board. The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

Any or all provisions of this policy would be subject to revision/amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s), notification(s), etc., issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), notification(s), etc.