



STOVEC INDUSTRIES LIMITED

RELATED PARTY TRANSACTION POLICY

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1. Preamble

The Board of Directors (the “Board”) of Stovec Industries Limited (the “Company” or “SIL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee shall as and when need arises will review and amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

2. Purpose

This policy is framed as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its Shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and its Related Parties as well as policies concerning transactions with Related Parties.

3. Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under the provisions of Listing agreement and Companies Act, 2013.

“Board” means Board of Directors of the Company.

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time director;
- (ii) Chief Financial Officer; and
- (iii) Company Secretary

“Material Related Party Transaction” means a transaction as described in first proviso to Clause 49 VII (C) of the listing agreement, as amended from time to time.

“Policy” means Related Party Transaction Policy.

“Related Party” means a Related Party as described in Clause 49 VII (B) of the listing agreement, as amended from time to time:

“Related Party Transaction” means any transaction as described in:

- i. Section 188 of the Companies Act, 2013, as amended from to time, and;
- ii. Clause 49 VII (A) of the listing agreement, as amended from to time.

“Relative” means relative as defined in Section 2 (77) of the Companies Act, 2013, as amended from time to time.

“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. For determination of arm’s length price, guidance may be taken from the provision(s) of Transfer Pricing under Income Tax Act, 1961.

4. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Audit Committee in accordance with this Policy.

4.1 Identification of Potential 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.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

4.2 Review and Approval of Related Party Transactions

All Related Party Transaction to be entered into on and after October 1, 2014, shall require prior approval of Audit Committee. However, transactions which are not in the ordinary course of business and/or not on arm’s length basis shall in addition to approval of Audit Committee also require approval of the Board of Directors. Where any transaction is entered into, without obtaining the consent of the Board or without obtaining prior approval by a special resolution in the general meeting, wherever applicable as per law, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which

such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.

Any member of the Audit Committee/Board who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee/Board shall be provided with the such information, as provided in Clause 49 VII (D) of the listing agreement and Section 188 of the Companies Act, 2013 read with Rule 15 (1) of The Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time), as may be applicable.

The list of information to be provided to the Board/Audit Committee for review of Related Party Transaction(s) is stated in **Annexure-1**.

Any other information pertaining to Related Party Transaction(s), if required by the Audit Committee/Board shall be pre-intimated to the Company at least 5 days before the scheduled meeting. If during review of any Related Party Transaction(s) in Audit Committee Meeting/Board Meeting, the majority of the Members of the Audit Committee/Board are of opinion that they may require further information; then such requisition, if any, shall be fulfilled by the Company in such period as may be agreed to with the Audit Committee/Board.

Note: Audit Committee/Board may in addition to Management Comments, seek latest Transfer Pricing Audit Report which also covers similar transaction(s) in order to satisfy themselves regarding the transaction been done on arm's length basis.

4.3 Requirement of Shareholders Approval for Related Party Transactions

All Material Related Party Transactions (as defined above) shall require approval of the shareholders through special resolution.

Transaction(s) which are not in ordinary course of business and/or not on arm's length basis, and are in exceeding the threshold as prescribed in first proviso to Section 188 (1) of the Companies Act, 2013 read with Rule 15 (3) of The Companies (Meetings of Board and its Powers) Rules, 2014, (as amended from time to time), shall require prior approval of the Shareholders by Special Resolution.

5. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. A Related Party Transaction entered into without approval under this policy shall not be deemed to violate this policy or to be invalid or unenforceable, so long as the transaction is reviewed in accordance with this policy as soon as reasonably practical

after the Company becomes aware of the transaction. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction(s), and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction(s). The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction(s) to the Audit Committee under this Policy, and shall take any such action as it deems appropriate.

In connection with any review of a Related Party Transaction(s), the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

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

Annexure-1

INFORMATION TO BE PROVIDED TO THE BOARD/AUDIT COMMITTEE

(A) For, Transaction falling under Section 188 of the Companies Act, 2013

- a) the name of the related party and nature of relationship;
- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- g) any other information relevant or important for the Board/Audit Committee to take a decision on the proposed transaction.

(B) For, Transaction falling under Clause 49 (VII) of the Listing Agreement

- a) the name/s of the related party;
- b) nature of transaction;
- c) period of transaction;
- d) maximum amount of transaction that can be entered into;
- e) the indicative base price / current contracted price and the formula for variation in the price if any; and
- f) such other information as the Audit Committee/Board may require.

(C) For, Transaction falling under both Section 188 of the Companies Act, 2013 and Clause 49 VII of Listing Agreement

The list of information requirement as provided under (A) and (B) above.