



STOVEC INDUSTRIES LIMITED

RELATED PARTY TRANSACTION POLICY

VERSION 2

RELATED PARTY TRANSACTION POLICY

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 recommend amendment in the policy to the Board to be approved by it 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.

In case of any inconsistency in the provisions contained in this policy and the Companies Act, 2013 and SEBI (Listing and Disclosure Requirement) Regulations, 2015, provisions of the said Act and SEBI Listing Regulation shall prevail.

2. Purpose

This policy is framed as per requirement of Regulation 23 of the SEBI (Listing and Disclosure Requirement) Regulations, 2015 (“**Listing Regulations**”) and any statutory modification or amendment thereof from time to time and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties in accordance with the Listing Regulations and the Companies Act, 2013 read with the Rules made thereunder (“**Act**”). 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 Regulations and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

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

“**Material Related Party Transaction**” means a transaction exceeding such sums as may be prescribed in first proviso of Section 188 (1) of the Act and/or Explanation of Regulation 23(1) of the Listing Regulations, as amended from time to time.

“**Policy**” means Related Party Transaction Policy.

“Related Party” means a Related Party as defined in Section 2(76) of the Act read with Regulation 2(zb) of the Listing Regulations, 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 time to time, and;
- ii. Regulation 2(zc) of the Listing Regulations, as amended from time 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 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 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 passing a resolution in the general meeting, wherever applicable as per law, and if it is not ratified by the Board or by the shareholders, as the case may be, 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 or the Shareholders as the case may be.

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 such information, as provided in the Listing Regulation 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 audit committee may grant omnibus approval for the related party transactions to be entered into by the Company considering the facts and circumstances of the case and subject to complying with the conditions as prescribed in the Act and/or the Listing Regulations provided further that the maximum value of per such transaction shall not exceed to 5% and the aggregate value of such transactions shall not exceed 10% of Turnover/Net Worth, as the case may be, and such omnibus approval shall be remained valid for a financial year for which approval is granted. All such omnibus approvals shall be reviewed by the audit committee on quarterly basis.

The Board/Audit Committee to be provided all such information or explanation by the Management as may be required by the Act and the Listing Regulations for making an informed decision on the Related Party Transaction(s).

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 by passing a 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, shall be regarded as material RPT and require prior approval of the Shareholders by passing a resolution.

5. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction/s that has not been approved under this Policy prior to its consummation, such 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 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 such 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.

6. Entry in the Register

All the related party transaction(s) as required by the Act shall be entered in the Register, wherever applicable, maintained by the Company for this purpose.

7. Review

This policy shall be reviewed by the Board on the recommendation of the audit committee at least once in every three years.

8. Amendment

In any circumstances, where the terms of this policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this policy and procedures until such time this policy is changed to conform to the new/amended law, rule, regulation or standard.

Version 1 – Approved by the Board on August 12, 2014
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