

Material subsidiary Policy of Stove Kraft Limited

Policy for determining Material Subsidiary

[Pursuant to Regulation 16(1) (c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

1. PURPOSE AND SCOPE:

The Policy for determining 'material' subsidiary companies has been framed in accordance with Regulation 16(1) (c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**Listing Regulations**") and other applicable provisions (including any statutory enactments / amendments thereof).

The Policy will be used to determine the Material Subsidiaries of Stove Kraft Limited (the "**Company**") and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

The Policy shall be effective from the date of commencement of trading in Company's shares at the BSE Limited and the National Stock Exchange of India Limited.

The policy shall be disclosed on the company's website and a web link thereto shall be provided in the Annual Report of the Company.

2. IDENTIFICATION OF 'MATERIAL' SUBSIDIARY:

A subsidiary shall be considered as material if -

- the investment of the Company in the subsidiary exceeds 20 per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or,
- if the subsidiary has generated 20 per cent of the consolidated Income of the Company during the previous financial year.



Stove Kraft Limited

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Material non-listed Indian subsidiary shall mean an unlisted subsidiary, incorporated in India, whose Income or Net Worth (i.e. Paid Up Capital and Free Reserves) exceeds 20 per cent of the Consolidated Income or Net Worth respectively, of the listed holding company and its subsidiaries in the immediately preceding financial year.

The Audit Committee shall on annual basis review such details / information as may be required to determine the 'Material' Subsidiaries.

3. GUIDING PRINCIPLES

"Material Subsidiary" and "Material non-listed Indian subsidiary" of the Company would be identified, if any, as one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of the Company. The identification should happen soon after preparation of annual accounts and the outcome should be placed before the Audit Committee or Board, as the case may be, in the meeting where the Annual Audited Accounts of the Company are considered.

4. INVESTMENTS IN SUBSIDIARIES:

Approval of the Board is required to invest more than 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year in a subsidiary of the Company.

The Managing Director/Whole-time Director shall provide the following details to the Board to consider the above referred investment:

- a. Name of the Company in which Stove Kraft Limited proposes to invest.
- b. Profile of the Company.
- c. Objects of the Investment.
- d. Future prospects of the company in which Stove Kraft Limited proposes to invest.
- e. Advantages of such investments.

While considering the proposal to invest as above the Board shall consider the following:

- a. Whether the company/business in which the Stove Kraft Limited proposes to invest have potential to increase the profitability.
- b. Whether such investment is for profit or strategic advantages.
- c. Whether the objectives set out for such investments can be achieved.
- d. Whether any alternate investment opportunity is available to achieve the objects set out for such Investments.



5. GOVERNANCE FRAMEWORK:

- i. The Audit Committee of Board of the Company shall review the Financial Statements, in particular, the Investments made by the Unlisted Subsidiary Company.
- ii. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.
- iii. The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary Company.
- iv. One Independent Director of the Company shall be a director on the Board of the Material Non-Listed Indian Subsidiary Company.

6. DISPOSAL OF MATERIAL SUBSIDIARY:

The Company shall not:

- a. dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting, except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- b. sell, dispose off and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year without prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

7. POLICY REVIEW:

The Board of Directors of the Company or any duly authorized committee thereof, subject to applicable laws, may amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors or such committee in line with the broad intent of the Policy. The Board of Directors or such committee may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict between the provisions of this policy and of the applicable law dealing with the related party transactions, such applicable law in force from time to time shall prevail over this policy.

POLICY APPROVED BY THE BOARD OF DIRECTORS IN THE BOARD MEETING DATED
JULY 10, 2018

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