



Policy on Materiality of Related Party Transactions And Procedure for dealing with Related Party Transactions

[Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Preamble:

This policy is intended to ensure proper approval and reporting of transactions between The Stove Kraft Limited and its related parties (RPT).

Objective:

Section 188 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 provides the detailed mechanism for dealing with Related Parties Transactions of the Company by way of Audit Committee approval, Board approval and Shareholder's approval in specific circumstances.

This Policy provides the criteria for determining the materiality of Related Party Transactions.

The objective of this Policy is to ensure proper approvals & reporting of the transactions between STOVE KRAFT and its Related Parties in compliance of provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other applicable statutory provisions for the time being in force, in this regard.

DEFINITIONS:

1. **Arm's Length transaction:** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, as defined in Explanation (b) to Section 188 (1) of the Companies Act, 2013.
2. **Associate Company** – As per Section 2(6) of the Companies Act, 2013, Associate Company, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation — For the purposes of this clause, "significant influence" means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

3. **Audit Committee:** means "Audit Committee" constituted by the Board of Directors of the Company under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013, from time to time.
4. **Board:** means Board of Directors of the STOVE KRAFT LIMITED.

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5. **Company/Listed Entity:** means "The STOVE KRAFT LIMITED".
6. **Key Managerial Personnel's (KMPs)** – in relation to a company, means
- (i) The Chief Executive Officer or the managing director or the manager;
 - (ii) The Company secretary;
 - (iii) The Whole-time director;
 - (iv) The Chief Financial Officer. and
 - (v) such other officer as may be prescribed under Companies Act, 2013
7. **Related Party:** An entity shall be considered as related to the Company if:
- (i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or
 - (ii) such entity is a related party under the applicable accounting standard(s).

"Provided that:

- a. Any person or entity forming a part of the promoter or promoter group of the Listed Entity.
- b. Any person or any entity, holding equity shares:
 - i. of twenty percent or more;
 - ii. of ten percent or more, with effect from April 01, 2023

In the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year:

Shall be deemed to be a Related Party.

Related Party under Section 2(76) of The Companies Act, 2013:

- (i) a director or his relative;
- (ii) a key managerial personnel 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 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;



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- (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 nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) A Director (other than Independent Director) or Key Managerial Personnel (KMP) of the holding company of such company or his relative. The Accounting Standard 18 defines related party as “parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and / or operating decisions.

The Accounting Standard 18 defines related party as “parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and / or operating decisions.

The Accounting Standard 18 deals only with related party relationships described below:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) key management personnel and relatives of such personnel; and
- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

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In the context of this Standard, the following are deemed not to be related parties:

- two companies simply because they have a director in common notwithstanding para 3 (d) or 3 (e) above, a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise
 - transacts a significant volume of business merely by virtue of the resulting economic dependence; and the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings.
- (i) Providers of finance; (ii) Trade unions; (iii) Public utilities; (iv) Government departments and government agencies including government sponsored bodies No disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state-controlled enterprises and transactions with such enterprises. State-controlled enterprise means an enterprise which is under the control of the Central Government and/or any State Government(s).

8. Related Party Transaction: Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements 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, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

Further, as per SEBI (LODR) Regulations, 2015, "related party transaction" means a transfer of resources, services or obligations between

- i. A listed entity or any of its subsidiaries on one hand and a related Party of the listed entity or any of its subsidiaries on the other hand or
- ii. A listed entity or any of its subsidiaries 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 or any of its subsidiaries , with effect from April 1, 2023

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Regardless of whether a price is charged and "transaction" with a Related Party shall be constructed 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 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.
- 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:

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).

9. **"Relatives:** In accordance with Section 2 (77) of the Companies Act, 2013 relative means anyone who is related to another, if—

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
 - (a) Father: Provided that the term "Father" includes step-father.
 - (b) Mother: Provided that the term "Mother" includes the step-mother.
 - (c) Son: Provided that the term "Son" includes the step-son.
 - (d) Son's wife.
 - (e) Daughter.
 - (f) Daughter's husband.



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(g) Brother: Provided that the term "Brother" includes the step-brother;

(h) Sister: Provided that the term "Sister" includes the step-sister;

10. **Material Related Party Transactions** - A transaction with a related party shall be considered 'material' if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, **exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the listed entity ten percent of the annual consolidated turnover of the Company** as per the last audited financial statements of the listed entity, whichever is lower."

Provided that in case of any amendment to the Act or Listing Regulations, definition of Material Related Party Transactions will be deemed to be changed without any further approval of Audit Committee or Board.

Transaction involving payment made to related party with respect to brand usage or royalty, exceeding 5% of annual consolidated turnover of the Company as per the last audited financial statement, shall also be considered as material RPT under Listing Regulations.

11. **Material Modification –**

Material modification 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.

PROCEDURE:

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the following:-

1. **Audit Committee:** All Related Party Transactions and subsequent material modifications, whether entered on arm's length basis or not, shall require **prior** approval of the Audit committee.

The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a) The Audit Committee shall, after obtaining approval of the Board of Directors, lay down the criteria while granting omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.
- 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;



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- c) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, viz.:-
- Repetitiveness of the transactions (in past or in future),
 - Justification for the need of omnibus approval.
- d) Such omnibus approval shall specify:-
- the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into, in aggregate in a year, maximum value per transaction which is allowed,
 - the indicative base price / current contracted price and the formula for variation in the price if any, and
 - Such other conditions as the Audit Committee may deem fit.
- However, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding 1 crore per transaction.
- e) Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.
- f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- g) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

ii. Board of Directors:

All Related Party Transactions, which are proposed to be entered by the Company

- other than in ordinary course of business; and / or
- other than on arm's length basis, shall require **prior** approval of the Board of Directors of the Company, by means of passing of resolution at a meeting of the Board.

Where any Director is interested in any Related Party Transaction, such Director will abstain from discussion and voting on the resolution relating to such transaction.



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B. Details to be provided to the Audit Committee –

With respect to Related Party Transactions requiring approval of the Audit Committee, the following information, to the extent relevant, shall be presented to the Audit Committee:

- Type, Material Term and particulars of the proposed transaction.
- Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- Tenure of the proposed transaction(particular tenure shall be specified);
- Value of the proposed transaction
- The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction(and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. Where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments
 - Nature of Indebtedness
 - Cost of Funds and
 - Tenure
 - iii. Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured, if secured, the nature of security and
 - iv. The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- Justification as to why the RPT is in interest of the Listed Entity
- A copy of the valuation or other external party report, if any such report has been relied upon
- Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis
- Any other information that may be relevant.

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- D. **Ordinary Course of business**- Ordinary Course of Business includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions.
- E. **Arm's length transactions** - The Audit Committee shall consider the following, while determining the transaction on arm's length basis:
"The transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest"
- F. Each director/KMP who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Audit Committee/Board of Directors concerning such Related Party Transaction and his or her interest in such transaction.
- G. The Audit Committee shall also review and approve any modification, renewal or extension of any Related Party Transaction.
- H. The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy to the Board from time to time as it deems appropriate.
- I. This Policy is intended to augment and work in conjunction with other Company policies having any code of conduct, code of ethics and/or conflict of interest provisions.

APPROVAL OF BOARD OF DIRECTORS AND SHAREHOLDERS

In accordance with Section 188 of the Companies Act, 2013 and the Listing Regulations, the **Board of Directors and shareholders of the Company** shall accord prior approval for related party transactions, subject to the following:

- A. **Board of Directors and Shareholders' approval in terms of Companies Act, 2013** – All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors. The Board of Directors shall further recommend the same for the approval of the Shareholders by way of special resolution of the Company, in case the said transactions

exceed the value of transactions as provided under Section 188 of the Companies Act, 2013.

- B. **Board of Directors and Shareholders' approval in terms of Listing Regulations** –

In terms of Regulation 23 of the SEBI (LODR) Regulations, 2015, all material Related Party Transaction shall be recommended by the Board of Directors to the shareholders for their approval by way of special resolution.

All entities falling under the definition of related parties shall abstain from voting irrespective of

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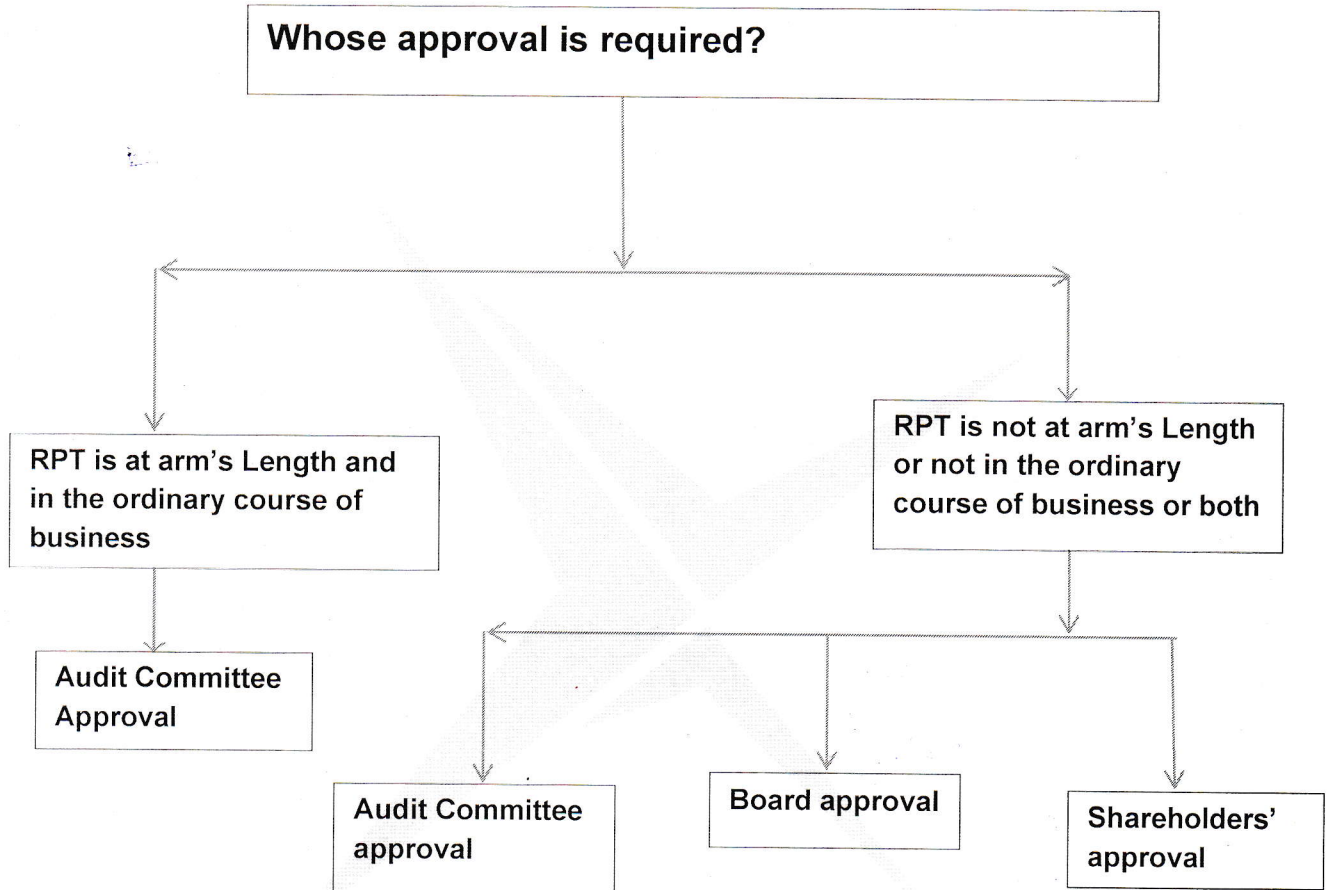
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whether the entity is a party to the particular transaction or not.

AUDIT COMMITTEE/BOARD/SHAREHOLDER APPROVAL MECHANISM FOR ENTERING INTO RELATED PARTY TRANSACTIONS



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RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Management of the company becomes aware of any Related Party Transactions that has not been approved under this policy, the matter shall be reviewed by the Audit Committee. Audit Committee may consider all of the relevant facts and circumstances regarding the Related Party Transactions and may evaluate all the options available with the Company.

Audit Committee may also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and may take any such action it deems appropriate.

DISCLOSURE

Every Contract or arrangement entered with Related Parties to which Sub section (1) of Section 188 of the Companies Act 2013 is applicable shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements. The disclosures required in terms of Companies Act, 2013 in **Form AOC - 2**.

Company has to submit the Stock Exchange Disclosures of Related Party Transactions in the format as specified by SEBI from time to time and publish the same on its website.

Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance.

The company shall disclose this policy on its website and a web link thereto shall be provided in the Annual Report.

EXEMPTION FROM APPLICABILITY OF THE POLICY

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this policy shall not apply to the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

(i) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(ii) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

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(iii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

POLICY REVIEW, ETC.:

The Board of Directors of the Company may subject to applicable laws is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board 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.

THIS POLICY IS APPROVED BY THE BOARD OF DIRECTORS IN THE BOARD MEETING DATED **FEBRUARY 08, 2022.**



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