

STERLING TOOLS LIMITED

POLICY ON RPT AND MATERIALITY OF RELATED PARTY TRANSACTIONS (RPT).

POLICY ON RELATED PARTY TRANSACTIONS AND MATERIALITY OF RELATED PARTY TRANSACTIONS.

1) INTRODUCTION, SCOPE AND PURPOSE OF THE POLICY:

Pursuant to Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations), the Company is required to formulate a policy on related party transactions and materiality of related party transactions, approved by the Board of Directors and such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

The Board of Directors (“the “Board”) of Sterling Tools Limited (the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below in accordance with the provisions of the Listing Regulations and the Companies Act, 2013 (“the Act”). The Audit Committee will review and may amend this policy from time to time.

The Policy provides a framework for governance and reporting of related party transactions, including material transactions. Amendments from time to time to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

2) OBJECTIVE OF THE POLICY:

The Policy sets out the manner of dealing with the transactions between the Company and its related parties in compliance with the applicable laws and regulations as may be amended from time to time and to fix the materiality thresholds for related party transactions.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of related party transactions in the best interests of the Company and its shareholders.

3) DEFINITIONS:

“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 interests.

“Audit Committee” means the Committee of the Board constituted from time to time under Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Control” shall have the same meaning as defined in the SEBI (Substantial Acquisition and Takeover) Regulations, 2011.

“Employees” shall mean employees and office-bearers of the Company, including but not limited to Directors.

The terms **“Director, Company Secretary, Chief Financial Officer”**, shall have the same meaning as defined under the Companies Act, 2013.

“Industry Standards” shall mean the Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” as notified and amended by SEBI, from time to time.

“Key Managerial Personnel” shall mean Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.

“Office or Place of Profit” means any office or place:

- i. where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as enunciated in the Memorandum and the Articles of Association. The Board and the Audit Committee may lay down principles for determining in the ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

“Related Party” means a related party as defined under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards.

Provided that:

- (a) any person or entity forming part of the promoter or promoter group of the Company; or
 - (b) any person or any entity, holding equity shares:
 - (i) of 10% or more; or such other percentage as may be prescribed from time to time under the Listing Regulationsin the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;
- shall be deemed to be a related party.

“Related Party Transaction” have the meaning as defined under Section 188 of the Act read with Regulation 2(1)(zc) of the Listing Regulations and shall mean a transaction involving transfer of resources, services or obligations between (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand, or (ii) the Company 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 Company or any of its subsidiaries, regardless of whether a price is charged and a "transaction" with a related party shall be construed 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) following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding shall not be related party transactions.

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.

v. retail purchases from the Company or its subsidiary by the directors or key managerial personnel of the Company or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel

“Material Related Party Transaction” means a transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the thresholds specified in Schedule XII of the Listing Regulations, as may be amended by SEBI from time to time.

A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material Modifications” means and includes any modification to an existing related party transaction having variance of 20% of the approved limit as sanctioned by the Audit Committee/Board/Shareholders, as the case may be.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including stepfather);
- d. Mother (including stepmother);
- e. Son (including stepson);
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother (including stepbrother); or
- j. Sister (including stepsister).

4) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

a) Identification of related parties:

The Company has formulated guidelines for identification and updating the list of related parties.

b) Identification of related party transactions:

The Company has formulated guidelines for identifying related party transactions as also determining whether the same are in the ordinary course of business and at arm’s length. The Company may seek professional opinion for this purpose, if necessary.

c) Procedure for approving related party transactions:

• Approval by the Audit Committee of the Company

- i. All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

A related party transaction, whether entered into individually or taken together with previous transactions during a financial year, to which the 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 exceeds the lower of the following:

- (i) 10% of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
- (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations.

- ii. Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of the Listing Regulations.
- iii. Based on the terms and conditions of a transaction, and applicable regulatory requirements, if required, the Audit Committee shall recommend/refer it for the approval of Board of Directors or Shareholders.
- iv. The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company or its subsidiary subject to the following conditions:
 - i. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - iii. Such omnibus approval shall specify (a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (b) the indicative base price/ current contracted price and the formula for variation in the price, if any and (c) such other conditions as the Audit Committee may deem fit;
Provided that 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 INR one crore per transaction;
 - iv. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given; and
 - v. Such omnibus approvals shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

The Company shall lay down a globally accepted framework to assess whether transactions with related parties are done on arm's length. Tests shall be conducted on an ongoing basis to determine that the transactions are in "ordinary course of business" and on "arms' length".

While placing the transaction for approval before the Audit Committee on which the Industry Standards are applicable, the Company shall place the minimum information as prescribed under the Industry Standards, as may be amended/replaced from time to time or such other information, as may be required by the Audit Committee.

The Company shall also place the certificate from the Chief Executive Officer (CEO)/Managing Director/Whole Time Director/ Manager and Chief Financial Officer (CFO) of the Company confirming that the terms of RPTs proposed to be entered into are in the interest of the Listed Entity.

- **Approval by the Board of Directors of the Company**

Pursuant to the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, all related party transactions which are not in the ordinary course of business and on arm's length, shall be placed before the Board and/or its Shareholders, as applicable, for approval.

The following transactions with related parties shall also be placed before the Board for its approval:

- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or on arm's length and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and on arm's length, but which in the view of the Audit Committee requires approval of the Board; and
- Related party transactions which are to be mandatorily approved by the Board under any law.

Approval of the Shareholders of the Company

All transactions enumerated in the first proviso to Section 188(1) of the Companies Act, 2013, which (a) are not in the ordinary course of business and on arm's length; and (b) exceeds the thresholds laid down in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, shall be approved by the Shareholders.

Further, all material related party transactions and subsequent material modifications as defined by the audit committee as per the Listing Regulations shall require prior approval of the Shareholders of the Company through a Resolution on which, no related party shall vote to approve, whether the Company is a related party to the particular transaction or not.

While sending the Notice for approval of the material related party transactions as stipulated under the Industry Standards, the Company shall in addition to the requirements under the Companies Act, provide the minimum information in the explanatory statement as per the Industry Standard to the extent such Industry Standards or any part thereof are not inconsistent with any subsequent changes in the Listing Regulations and/or SEBI Circular so as to enable the shareholders to take a view whether the terms and conditions of the RPT are favorable to the listed entity.

The Omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications, or circulars issued thereunder from time to time:

In case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

5) DISCLOSURES:

- Every Director and Key Managerial Personnel (KMP) shall disclose the parties in which they are deemed to be interested.
- Every Director and KMP shall promptly notify the Secretarial Department of any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest.
- Each related party transaction, which requires approval of the Board, shall be referred to in the Board's report in the prescribed form together with justification for entering into such contract or arrangement. The Company shall also maintain the Register in the prescribed form.
- The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website.
- The Company shall disclose the policy on dealing with related party transactions on its website and a web-link thereto shall be provided in the Annual Report.

6) ACTIONS TO BE TAKEN IN CASE ANY RELATED PARTY TRANSACTION IS NOT APPROVED AS PRESCRIBED BY THIS POLICY:

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take such action as it deems appropriate.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of the Listing Regulations;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of the provisions of the Listing Regulations;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

While ratifying the related party transactions as stipulated under the Industry Standards, the Audit Committee shall seek such minimum information in such manner and in such form as specified under the Industry Standards to the extent such Industry Standards or any part thereof are not inconsistent with any subsequent changes in the Listing Regulations and/or SEBI Circular.

Where the Audit Committee determines not to ratify a related party transaction that has been commenced without proper approval, it may direct additional actions including, but not limited to, termination of the transaction or seek the approval of the Board or Shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy.

NON-APPLICABILITY OF APPROVALS:

Notwithstanding the foregoing, the following Related Party Transactions shall not require any approval:

(a) transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

(b) transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

(c) resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

(d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

Such other transactions as specified may be specified by as may be specified by Listing Regulations, and/or the Act from time to time.

7) **WHISTLE BLOWER FOR ANY RELATED PARTY TRANSACTION ENTERED BY THE COMPANY IN CONTRAVENTION OF THIS POLICY:**

Any officer or employee can avail of the vigil mechanism to report a fraudulent related party transaction or any transaction which is not in line with this Policy.

8) **AMENDMENT**

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, or the Industry Standards impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy. The Company Secretary, Chief Financial Officer or any Director of the Company is authorised to carry out any further changes in the Policy to make it consistent with the amended Act, Listing Regulations, applicable Standards or other governing law.

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This Policy is duly reviewed and updated by the Board of Directors of Sterling Tools Limited at its meeting held on 3rd February, 2026.