

SPRL: DELHI

POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES

1. Objective

The objective of this Policy is to comply with requirements stated in Regulation 16(1)(c) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), as amended from time to time, which requires every Listed Company to formulate a policy for determining 'material' subsidiary.

2. Definitions

- 2.1. **"Independent Director"** means a Director of the Company, who satisfies the criteria of independence given under Companies Act, 2013 and Listing Regulations.
- 2.2. **"Material Subsidiary"** means a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- 2.3. **"Policy"** means this policy for determining Material Subsidiaries
- 2.4. **"Significant Transaction or Arrangement"** means any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.
- 2.5. **"Subsidiary"** as defined under the Companies Act, 2013 and the Rules made thereunder.
- 2.6. **"Unlisted Material Subsidiary"** means a material Subsidiary (whether incorporated in India or not) which is not listed on any Stock Exchanges in India or overseas and excludes the subsidiary the securities of which are proposed to be listed.

3. Criteria for determining the 'Material' Subsidiaries

A subsidiary shall be considered as a Material Subsidiary for the financial year if it falls under the definition provided in clause 2.2 of this Policy.

4. Governance Framework

- 4.1. The minutes of the meetings of the Board of Directors of the Unlisted Subsidiary shall be placed at the meeting of the Board of Directors of the Company.
- 4.2. Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the Unlisted Subsidiary.
- 4.3. The management of the Unlisted Subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the Unlisted Subsidiary.
- 4.4. At least one Independent Director of the Company shall be appointed on the Board of Directors of an Unlisted Material Subsidiary Company, whether incorporated in India or not.

Explanation: For the purpose of this clause, the term “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

- 4.5. The Company and its Material Unlisted Subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice in the prescribed form.

5. Disposal of Material Subsidiary

The Company shall not:

- 5.1. Dispose of shares in its material subsidiary resulting in reduction of 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 prior approval of members by passing special resolution in the General Meeting.
- 5.2. Sell, dispose of and lease assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year without prior approval of the members by passing special resolution.

Exception to clauses 5.1 and 5.2: The approval of Shareholders shall not be required if the disposal of shares/ sale/ disposal/ lease of assets is

made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized Stock Exchange(s) within one day of the resolution plan being approved.

6. Review of the Policy

This Policy shall not be amended unless the amendment is approved by the Board of Directors or unless such amendment is required pursuant to change in the applicable law.

7. Dissemination of Policy

This Policy shall be hosted on the Company's website (www.shrirampistons.com) and a web link thereto shall be provided in the Annual Report.