

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. PURPOSE

This Policy is framed in accordance with the requirement stated under clause 49 of the Listing Agreement and is intended to ensure governance of material subsidiary companies of Shervani Industrial Syndicate Limited.

Accordingly, the Board of Directors of Shervani Industrial Syndicate Limited has adopted the policy and procedures with regard to determination of Material Subsidiaries as enumerated below.

2. DEFINITIONS

“Audit Committee” means the Audit Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors as defined in Section 2(10) of the Companies Act, 2013.

“Material Subsidiary” – as per clause 49 (V) of the Listing Agreement, a subsidiary shall be material if:

- a. investment of Shervani Industrial Syndicate Limited in the subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year or
- b. subsidiary has generated 20% of the consolidated income of Shervani Industrial Syndicate Limited during the previous financial year.

“Material non-listed Indian Subsidiary” means unlisted subsidiary which is incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of Shervani Industrial Syndicate Limited and its subsidiaries in the immediately preceding accounting year, as defined under clause 49 (V) of the Listing Agreement.

“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 material unlisted subsidiary for the immediately preceding accounting year, as defined under clause 49 (V) of the Listing Agreement.

“Subsidiary Company” means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

3. PROCEDURE AND POLICY

- i. At least one Independent Director of Shervani Industrial Syndicate Limited shall be a Director on the Board of the Material non-listed Indian Subsidiary Company.
- ii. Shervani Industrial Syndicate Limited shall not, without the prior approval of the members by special resolution in its General Meeting, 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 Material Subsidiary except where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- iii. Shervani Industrial Syndicate Limited shall not, without the prior approval of the members by special resolution, sell, dispose-off or lease the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year, unless the same is made under a scheme of arrangement duly approved by a Court/ Tribunal.
- iv. The Audit Committee of Shervani Industrial Syndicate Limited shall review the financial statements, in particular, the investments made by the unlisted subsidiary company, on an annual basis.
- v. The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed before the Board of Shervani Industrial Syndicate Limited on periodical basis.
- vi. The management of Shervani Industrial Syndicate Limited shall periodically bring to the attention of the Board of Directors of Shervani Industrial Syndicate Limited, a statement of all significant transactions and arrangements entered into by the unlisted Subsidiary.

4. DISCLOSURE

This "Policy on determining Material Subsidiaries" shall be disclosed on the website of the Company.
