

Policy for determining Material Subsidiaries

INTRODUCTION

The Board of Directors (the "Board") of Shivalik Bimetal Controls Limited (the "Company") has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below. The Board may review and amend this policy from time to time.

The Policy will be applicable to the Company effectively from 1st April, 2022. This Policy is in terms of Regulations 16 of the SEBI (LODR) Regulations, 2015.

TITLE

This Policy shall be called 'Policy for determining material subsidiaries'.

PURPOSE AND SCOPE

The Policy for determining 'material subsidiary companies' has been framed in accordance with the provisions of Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The Policy will be used to determine the Material Subsidiaries of 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.

DEFINITIONS

- i) **"Audit Committee or Committee"** means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of the SEBI (LODR) Regulations, 2015
- ii) **"Board of Directors" or "Board"** means the Board of Directors of Shivalik Bimetal Controls Limited, as constituted from time to time.
- iii) **"Independent Director"** means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Act and the Listing Regulations
- iv) **"Company"** means Shivalik Bimetal Controls Limited

- v) **“Material Subsidiary”** shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year
- vi) **“Material Unlisted Indian Subsidiary”** shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- vii) **“Subsidiary”** shall be as defined under the Act and the rules made thereunder.
- viii) **“Unlisted Subsidiary”** means subsidiary whose securities are not listed on any recognized Stock Exchanges.
- ix) **“Policy”** means this Policy, as amended from time to time.
- x) **“Significant Transaction or Arrangement”** shall mean 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.

POLICY

A subsidiary shall be considered as **Material** if –

- the investment of the Company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year; or
- the subsidiary has generated twenty per cent of the consolidated income of the Company during the previous financial year.

Material Non Listed Indian Subsidiary shall mean a Subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges and whose;

- net worth exceeds 20% of the consolidated net worth of the Company as per the audited balance sheet of the previous financial year; or
- Income exceeds 20% of the consolidated income of the Company as per the audited balance sheet of the previous financial year.

A list of such Material subsidiaries and Material Non Listed Indian Subsidiaries shall be presented to the Audit Committee annually for its noting.

The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on an annual basis.

The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including

recommendation for appointment of independent Director in the Material Non-Listed Indian Subsidiary.

GOVERNANCE OF MATERIAL SUBSIDIARIES

I. Disposal of shares or assets of Material subsidiary

- a) The Company shall not dispose of shares in the 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 passing a special resolution in its general meeting / postal ballot.
- b) The Company shall not sell, dispose of or lease out assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during the financial year without prior approval of shareholders by way of special resolution.

Provided that the provisions of Para I (a) & (b) shall not be applicable if the divestment or sale or disposal or lease 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 exchanges within one day of the resolution plan being approved.

II. Secretarial Audit

Material Unlisted Subsidiary 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.

III. Appointment of Independent Directors

Based on the recommendations of the Nomination and Remuneration Committee of the Company, the Board shall appoint at least one independent director of the Company on the Board of the Material Unlisted Subsidiary.

For the purpose of the above provision "Material subsidiary" shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

GOVERNANCE OF ALL SUBSIDIARIES

IV. Matters to be reviewed by the Board of Directors

- a) The minutes of the Board meetings of the Unlisted Subsidiaries.

- b) Statement of all significant transactions and arrangements entered into by the unlisted subsidiaries.
- c) A statement containing salient features of the financial statement of its subsidiaries and associate companies (on an annual basis).

V. Matters to be reviewed by the Audit Committee

- a) Financial statements of subsidiaries, in particular, the investments made by the unlisted subsidiaries.
- b) Utilization of loans and/ or advances from/investment in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower.
- c) Any transaction between the Company and its subsidiary(ies) shall be entered into in accordance with the policy on dealing with related party transactions of the Company.

INTERPRETATION

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or rules and regulations made thereunder, or any other relevant legislation / law applicable to the Company. In case of any conflict between the law and the policy, the law shall prevail.

AMENDMENTS

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee. The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material subsidiary companies.

DISCLOSURES

The Company shall disclose in its Board's report, details of this Policy as required under the Act and the Listing Regulations. This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Board's report.