

SANDHAR

SANDHAR TECHNOLOGIES LTD. POLICY FOR MATERIAL SUBSIDIARY COMPANIES

BACKGROUND

Sandhar Technologies Ltd.{including its subsidiaries} (hereinafter referred as the 'Company') believes in the conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour and in complete compliance of laws.

OBJECTIVE

Determination of material Indian or foreign subsidiaries of the Company, where applicable, and complying with disclosure/other requirements regarding such subsidiaries and disinvestment of their shares held by the Company and selling/ disposing/ leasing of assets of such subsidiaries by them.

AUTHORITY TO DRAFT, AMEND AND IMPLEMENT

The Policy for Material Subsidiary Companies shall be laid out by the Audit Committee and approved by the Board of Directors.

Brief overview of New Clause 49 of the Listing Agreement

- **Definition of Material Subsidiary:**

A subsidiary shall be considered as material if the investment of the Company in the subsidiary: -

1. Exceeds twenty percent {20%}of its consolidated net worth as per the audited balance sheet of the previous financial year, or
2. If the subsidiary has generated twenty percent {20%}of the consolidated income of the Company during the previous financial year.

- **Restriction on disposal of shares of Material Subsidiary by the Company:**

The Company shall not 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 subsidiary without

passing a special resolution in its General Meeting.

- **Restriction on disposal of its assets by Material Subsidiary:**

Selling, disposing and leasing of assets amounting to more than twenty percent {20%} of the assets of the material subsidiary shall require prior approval of shareholders by way of special resolution

- **Definition of Material non listed Indian subsidiary :-**

The term shall mean an unlisted subsidiary, 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 the listed holding company and its subsidiaries in the immediately preceding accounting year.

- **Disclosure/other requirements regarding Material non listed Indian subsidiary:**

- a) At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.
- b) The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- c) The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company. The management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

- **Definition of significant transaction or arrangement of Material non listed Indian subsidiary**

The term 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 material unlisted subsidiary for the immediately preceding accounting year.

- **Compliance by Step down subsidiaries**

Where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

Brief overview of Subsidiary company as per Companies Act 2013 and Rule/s

- Subsidiary in relation to holding company means accompany in which the holding company -
 - (i) controls the composition of the Board, or
 - (ii) exercises or control more than half of the total share capital either at its own or together with one or more of its subsidiary companies. { Section 2 [87]}
- The expression "total share capital" means, the aggregate of the:-
 - (a) paid-up equity share capital; and
 - (b) convertible preference share capital
- The term "control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner { Companies [Specifications of definitions details] Rules 2104}
- There is a restriction on the layers of subsidiaries as would be prescribed. { Section 2 [87]}
- The terms "Material subsidiary" or "Material non listed Indian subsidiary company" have not been defined in Companies Act 2013 or its Rules.

GUIDING PRINCIPLES

- All the applicable provisions of laws, as amended from time to time, are to be complied in letter and spirit in implementing this Policy.
- **“Material subsidiary”** of the Company would be identified, which would include, if any:
 - ✓ Material listed Indian & foreign subsidiaries
 - ✓ Material non-listed foreign subsidiary,

as one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of Directors { Board} of the Company.

- **“Material non-listed Indian subsidiary”** of the Company would be identified, if any, as one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of the Company.

{1} **Restriction on disposal of shares** held by the Company, whether Equity or preference, of the Material Subsidiary and Material non listed Indian subsidiary and {2} **restriction on selling/ disposing/ leasing of assets** of the Material Subsidiary and Material non listed Indian subsidiary by them, would be considered and complied keeping in view the following: -

- Valuation of the shares / assets of Material Subsidiary and Material non listed Indian subsidiary would be done by Registered Valuer in terms of the Companies Act 2013 and in absence of related notification of these provisions, by an independent merchant banker registered with SEBI, or by an independent chartered accountant in practice with minimum 10 years experience or as may be permitted by the Central Government.
 - The proposal shall be considered by the Audit Committee and the Board of the Company and the relevant subsidiary and decision taken in terms of the provisions

of the clause 49 of the Listing agreement and Companies Act 2013 and its Rule/s, as applicable.

- Where the disposal of the shares or selling/ disposing/ leasing of assets of Material Subsidiary and Material non listed Indian subsidiary company are triggering the limits laid down, the proposal after being approved by the Audit Committee and the Board shall be placed before the shareholders of the Company and the relevant subsidiary, as applicable, in a general meeting or through postal ballot in terms of the provisions of the clause 49 of the Listing agreement and Companies Act 2013 and its Rule/s seeking approval/s of such shareholders by way of passing special resolution/s, as applicable.
 - Only on receipt of the necessary approvals, herein, that the disposal of the shares or selling/ disposing/ leasing of assets of the Material Subsidiary and Material non listed Indian subsidiary would be done.
 - Necessary reporting would be done in Audit Committee and Board meetings of all the concerned companies.
 - Stock Exchanges would be duly intimated, if and as and when applicable.
- In case of **Material non listed Indian subsidiary** of the Company :
 - Atleast one independent director of the Company shall be a director on the Board of Directors of such subsidiary.
 - The Audit Committee of the Company shall review the financial statements, in particular, the investments made by such subsidiary, at least once every financial year.
 - The minutes of the Board meetings of such subsidiary shall be placed before the Audit Committee and Board meetings of the Company at least once every financial year.

- The Audit Committee and the Board of the Company shall consider a statement of all significant transactions and arrangements {as defined} entered in to by such subsidiary, if any, at least once every financial year.

- This Policy shall be disclosed to the Stock Exchanges where the shares of the Company are listed, and disclosed in the Annual Report of the Company every year.