



**Policy for Determining Material
Subsidiaries**

REGISTERED AND CORPORATE OFFICE

Shalby Limited

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1. INTRODUCTION

The Board of Directors of Shalby Limited (the “Company”), at its meeting held on 20th December, 2016 adopted the following policy and procedures with regard to determination of material subsidiaries. This Policy shall be called ‘Policy for Determining Material Subsidiaries’ (the “**Policy**”). Further, the Board of Directors of the Company in its meeting held on 28th January, 2019 amended this policy to give effect the amendment proposed by SEBI vide SEBI (Listing Obligation and Disclosure Requirements) (Amendment) Regulation 2018 published on 9th May, 2018. This amended policy is effective from 1st April, 2019.

2. OBJECTIVE / LEGAL FRAMEWORK

The objective of the Policy is to determine material subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

The Regulation 24 of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 as amended (the “Listing Regulations”) extends certain principle of corporate governance to material subsidiaries of listed Companies.

The Board of Directors of Shalby Limited (the “Company”) is obliged to formulate a policy for determining “material subsidiaries” to comply with the requirements of the Listing Regulations for such material subsidiaries.

3. DEFINITIONS

“**Audit Committee**” shall have the meaning ascribed to such term under section 177 of the Companies Act, 2013;

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**Company**” means Shalby Limited.

“**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 Companies Act, 2013 and the Listing Regulations with the Stock Exchanges.

“**Policy**” means this Policy, as amended from time to time.

“**Subsidiary**” shall mean a subsidiary as defined under section 2(87) the Companies Act, 2013.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

4. IDENTIFICATION OF MATERIAL SUBSIDIARY

A subsidiary shall be considered as material, if its income or net worth exceeds 10% of consolidated income or net worth respectively of the Company and its subsidiaries in the immediately preceding accounting year (“material subsidiary”).

However, a subsidiary shall be considered as material for the purpose of clause 1 of regulation 24 of SEBI (Listing obligation and disclosure requirements) Regulation, 2015, if its income or net worth exceeds 20% of consolidated income or net worth respectively of the Company and its subsidiaries in the immediately preceding accounting year (“specific material subsidiary”).

A list of such material subsidiaries and specific material subsidiaries shall be placed before the Audit Committee on annual basis for its review and noting.

“Material subsidiary” and “Specific material 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. The identification shall be exercised soon after preparation of annual accounts and the outcome shall be placed before the audit committee or the Board, as the case may be, in the meeting where the Annual Audited accounts of the Company are considered.

5. REQUIREMENTS REGARDING A MATERIAL SUBSIDIARY

5.1 The Company, without passing a special resolution in its General Meeting, shall not:-

- (i) dispose shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or
- (ii) dispose shares in its material subsidiary which would cease the exercise of control over the subsidiary or
- (iii) sell, dispose 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, in cases where the divestment/ sale/ disposal/ lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

5.2 The minutes of the meetings of the board of directors of the Material Subsidiary shall be placed at the Board meetings of the Company. The management of the Material Subsidiary shall periodically bring to the attention of the Board, a statement of all Significant Transactions or arrangements entered into by the Material Subsidiary.

6. REQUIREMENTS REGARDING LISTED SUBSIDIARY

If the Company at any time has a listed Subsidiary, which is itself a holding company, the provisions of the SEBI Listing Regulations shall apply to the listed Subsidiary in so far as its Subsidiaries are concerned.

7. SPECIFIC REQUIREMENTS REGARDING SPECIFIC MATERIAL SUBSIDIARY

At least one Independent Director on the Board of the Company shall be a Director on the Board of the specific material subsidiary company.

8. REQUIREMENTS REGARDING UNLISTED SUBSIDIARY

The Audit Committee shall also review the financial statements, in particular, the investments made by the Unlisted Subsidiary of the Company.

The minutes of the Board meetings of the Unlisted Subsidiary Company shall be placed at the Board meeting of the Company.

The management of the unlisted subsidiary shall periodically bring to the notice of the Board of the Company, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary Company.

“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.

9. 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.

10. SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and the Listing Regulations/ Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/ Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

11. DISSEMINATION OF POLICY

This policy shall be hosted on the intra-net and website of the Company and a web link thereto shall be provided in the annual report of the Company. The Policy will be reviewed on an annual basis or as and when warranted due to regulatory requirements.

Footnote

1. The Board of Directors of Shalby Limited at its meeting held on December 20, 2016 has adopted this Policy first time.
2. The Board of Directors of Shalby Limited at its meeting held on January 28, 2019 has modified this Policy in view of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 notified on May 9, 2018. The said revised policy is effective from April 1, 2019.