

**SHANKARA BUILDING PRODUCTS LIMITED**

**POLICY FOR DETERMINING MATERIALITY OF SUBSIDIARIES**

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Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as amended (the “**SEBI Listing Regulations**”) requires a listed company to formulate a policy to determine its material subsidiaries (this “**Policy**”).

The Board of Directors of Shankara Building Products Limited (the “**Company**”) has adopted the following Policy and procedures with regard to determination of material subsidiaries in accordance with the requirements of the Regulation 16 and Regulation 24 of the SEBI Listing Regulations.

### **1. OBJECTIVE**

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

### **2. EFFECTIVE DATE**

This Policy shall be effective from **19<sup>TH</sup> SEPTEMBER, 2016**

### **3. DEFINITIONS**

“**Audit Committee**” means the Audit Committee of the Board constituted by the Board of Directors of the Company, from time to time.

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

“**Companies Act**” means the Companies Act, 2013 and the rules thereunder, as amended

“**Independent Director**” means a director of the Company, as defined under the Companies Act, 2013 and who also fulfils the criteria of independence as stipulated under Clause 16(1)(b) of the SEBI Listing Regulations and the Companies Act, 2013

“**Significant Transaction or Arrangement**” means any individual transaction or arrangement that exceeds or is likely to exceed ten per cent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.

“**Subsidiary**” means a subsidiary as defined under Section 2(87) the Companies Act, 2013.

### **4. POLICY**

**A Subsidiary shall be considered as “Material Subsidiary” if –**

- the investment of the Company in the Subsidiary exceeds twenty per cent (20%) of the Company’s consolidated net worth in the immediately preceding accounting year; or
- the Subsidiary has generated twenty percent (20%) of the consolidated income of the Company in the immediately preceding accounting year.

A list of such material subsidiaries shall be presented to the Audit Committee annually for its noting.

### **5. CORPORATE GOVERNANCE REQUIREMENTS WITH RESPECT TO SUBSIDIARY**

- At least one Independent Director on the Board of the Company shall be a director on the board of directors of an unlisted Material Subsidiary of the Company, incorporated in India.
- The Audit Committee shall also review the financial statements, in particular, the investments made by the unlisted Material Subsidiary, on a quarterly basis.
- 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.

- The Company, without adopting a special resolution in its general meeting, shall not dispose of shares in the Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease to exercise control over the Material Subsidiary except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- Selling, disposing and leasing of assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of special resolution, unless in cases where the divestment/ sale/ disposal/ lease is made under a scheme of arrangement duly approved by a Court / Tribunal.

## **6. 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. AMENDMENTS**

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

## **8. SCOPE AND LIMITATION**

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

## **9. DISCLOSURES AND REVIEW**

The Policy for determining Material Subsidiaries shall be disclosed on the Company's website and a web link thereto shall be provided in the annual report. The Policy will be reviewed on an annual basis or as and when warranted due to regulatory requirements.

**DATE: 19<sup>TH</sup> SEPTEMBER, 2016**