



## **SHANTHI GEARS LIMITED**

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### **Policy for Determination of Materiality for Disclosure of Information/Events to the Stock Exchanges**

#### **1. Preamble**

The following Policy, with the Guidance Manual, approved by the Board of Directors of Shanthi Gears Limited (the “**Company**”) provides an overall framework for disclosure of information or events of the Company pursuant to Regulation 30 and Regulation 51 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR Regulations**”). This Policy is subject to the Board’s review and changes, as may be appropriate, in conformity with the requirements of the SEBI LODR Regulations, as amended from time to time.

This policy is effective from 1<sup>st</sup> December, 2015 and shall be applicable for disclosures to be made by the Company effective this date.

#### **2. Objective**

The objective of this Policy is to facilitate timely and adequate disclosure of material information or events which are unpublished and price sensitive, have a bearing on performance or operations of the Company or may result in a significant market reaction in the price of securities of the Company if the omission comes to light at a later date. This policy is based on the principles governing the disclosures as stated in the SEBI LODR Regulations and further lays down the guidelines for determining the materiality thresholds with respect to certain events or information of the Company as permitted under the SEBI LODR Regulations.

#### **3. Definitions**

- a) “Board” or “Board of Directors” means the collective body of the Directors of the Company as constituted from time to time;
- b) “Company” shall mean Shanthi Gears Limited;
- c) “Guidance Manual” shall mean the ‘Guidance Manual for making Disclosures of Events or Information under the Policy for Determination of Materiality for Disclosure of Information/Events to the Stock Exchanges’;
- d) “Material Event/s” means those event/s specified in: (i) Para A of Part A of Schedule III of the SEBI LODR Regulations, being deemed material events, which the Company shall compulsorily disclose; (ii) events specified in Para B of Part A of Schedule III of the SEBI LODR Regulations,



which the Company shall disclose, based on guidelines for materiality as specified in 4 herein; (iii) events specified in Para C of Part A of Schedule III of the SEBI LODR Regulations; (iv) events specified in Part B of the SEBI LODR Regulations; (v) all information having a bearing on the performance/ operation of the Company, price sensitive information or any action that shall affect the payment of interest or redemption of non convertible debt securities; and (vi) any event which may have a material effect on the Company;

- e) “Key Managerial Personnel” or “KMP” means the personnel as defined under Section 2(51) of the Companies Act, 2013, read with the rules and regulations issued thereunder, as amended from time to time;
- f) “Officer” shall have the same meaning as under the Companies Act, 2013, together with rules and regulations issued thereunder, as amended from time to time;
- g) “Ordinary course of business” or “normal course of business” means all activities that are necessary, normal or incidental to the business of the Company and are permitted by objects of the Company. These would also include common practices, historical practices and customs of commercial transactions with a pattern of frequency.
- h) “Policy” means this Policy for Determination of Materiality for Disclosure of Information/Events to the Stock Exchanges;
- i) “SEBI” means the Securities and Exchange Board of India;
- j) “SEBI Circular” means circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015, issued by the SEBI on continuous disclosure requirements for listed entities, as amended or substituted from time to time;
- k) “Securities” shall have the meaning assigned to it under the Securities Contracts (Regulation) Act, 1956, as amended from time to time;
- l) “Stock Exchanges” means stock exchanges on which the Securities of the Company are listed; and
- m) “Subsidiaries” means a subsidiary company as defined under Section 2(87) of the Companies Act, 2013, read with the rules and regulations issued thereunder, as amended from time to time.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI LODR Regulations or any other applicable law or regulation to the extent applicable to the Company.

#### **4. Criteria for disclosure**



The following criteria shall be considered by the Company while determining the materiality of events/information, read with the Guidance Manual:

- i. whether the omission of an event or information, is likely to result in discontinuity or alteration of event or information already available publicly; or
- ii. whether the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date; or
- iii. whether the event/information is likely to have a bearing on performance or operation of the Company or have a material impact on the business or the Company; or
- iv. in cases where the criteria specified in sub-clauses (i) to (v) above are not applicable, whether an event/information may be treated as being material in the opinion of the Board.

The Chief Executive Officer (CEO)/Managing Director (MD) of the Company is authorized to determine the materiality of an event or information under this Policy and the SEBI LODR Regulations and to make disclosures to the Stock Exchanges under the SEBI LODR Regulations. The Chief Financial Officer (CFO) of the Company shall advise the CEO/MD on the materiality of the event or information based on the guidelines set in the Guidance Manual. The quantitative factors which may be considered while determining the materiality of an event or information would be those impacting or likely to impact at least 10% of the turnover or the net worth or the profitability (profits before tax) of the Company or specific limits provided as may be appropriate for the event/information. The factors to be considered shall be determined based on the last audited consolidated financial statements of the Company. The Guidance Manual in this regard is to be used while selecting the appropriate factor before making public dissemination.

All questions about this Policy should be directed to the CEO/ MD / CFO/ Company Secretary.

## 5. **Applicability:**

5.1. The following event/s are deemed to be Material Event/s and the Company shall make disclosure of such event/s without applying any materiality thresholds:

- acquisitions including agreement to acquire;  
(acquisition means acquiring control either directly or indirectly OR acquiring or agreeing to acquire shares/voting rights in a company (whether listed or unlisted) either directly or indirectly, such that the Company holds 5% or more of the shares or voting rights in the said company or if there is a change in existing holding from the last disclosure made under this clause and such change exceeds 2% of the total shareholding in the company)
- scheme of arrangement (amalgamation/ merger/ demerger/ restructuring);
- sale or disposal of any unit(s), division(s) or Subsidiary, or any other restructuring;
- issuance/ forfeiture of Securities, split or consolidation of shares, buyback of Securities, any restrictions on transferability of Securities or any alteration in the terms or structure of existing



Securities, including re-issue of forfeited Securities, alteration of calls, redemption of Securities, etc.

- revision in ratings;
- outcome of Board meetings held to consider, recommend, declare or pass any dividends/ cash bonuses, cancellation of dividends, decision on buyback of Securities, fund raising proposals, alteration to capital structure including issuance of bonus, re-issue of forfeited Securities or issue of Securities held in reserve, creation in any form or manner of new shares or Securities or any other rights, privileges or benefits to subscribe to and short particulars of any other alterations of capital, including calls, financial results, voluntary delisting of listed Securities etc.;
- agreements (including revisions, termination or making amendments) such as shareholder agreements, joint venture agreements, family settlement agreements to the extent they impact the management or control of the Company or agreements or treaty(ies) or contracts with media companies which are binding and not in the normal course of business
- fraud/defaults by Promoter/KMP or by the Company or arrest of KMP or Promoter;
- change in directors, KMPs (including MD, CEO, CFO and company secretary), auditor and compliance officer;
- appointment or discontinuation of share transfer agent;
- corporate debt restructuring;
- one time settlement with banks;
- reference to the Board for Industrial and Financial Reconstruction and winding up petition filed by any party or creditors;
- issuance of notices, call letters, resolution and circulars sent to shareholders, debenture holders, creditors or any class of them or advertised in the media by the Company;
- proceedings of general meetings of the Company;
- amendments to Memorandum of Association/Articles of Association of the Company in brief;
- schedule of analyst or institutional investor meet and presentations on financial results made by the Company to them.

5.2. The following events will be deemed to be Material Event/s based on application of the materiality guidelines to be decided by the CEO/ MD:

- Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/ division.
- change in general character or nature of business brought by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit/ division (entirety or piecemeal);
- capacity addition or product launch;
- awarding, bagging/receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business;
- agreements viz. loan agreements or any other agreements which are binding and not in the normal course of business including any revision or termination thereof;
- disruption of operations of one or more units or division of the Company due to natural calamity or force majeure conditions or events like strikes, lockouts etc.
- effects arising out of change in regulatory framework applicable to the Company;



- litigations / disputes / regulatory actions with impact.
- fraud/defaults by directors or employees of the Company;
- options to purchase Securities including Employee Stock Option Plans / Employee Share Purchase Scheme.
- giving guarantees or indemnity or becoming surety for any third party;
- Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

5.3. Any other information or event or major development likely to affect the business which are exclusively known to the Company and which may be necessary to be disclosed to enable holders of Securities of the Company to appraise its position and avoid establishment of false market in the Securities also needs to be disclosed.

5.4 The following events will be deemed to be Material Event/s with respect to the non-convertible debentures issued by the Company:

- expected default in timely payment of interests or repayment amount or both in respect of the non-convertible debt securities and also default in creation of security for debentures as soon as the same becomes apparent;
- any attachment or prohibitory orders restraining the Company from transferring the non-convertible debt securities from the account of the registered holders along with the particulars of the numbers of securities so affected, the names of the registered holders and their demat account details;
- any action which shall result in the redemption, conversion, cancellation, retirement in whole or in part of any non-convertible debt securities;
- any action that shall affect adversely payment of interest on non-convertible debt securities including default by the Company to pay interest on non-convertible debt securities and failure to create a charge on the assets;
- any change in the form or nature of any of its non-convertible debt securities that are listed on the Stock Exchanges or in the rights or privileges of the holders thereof and making an application for listing of the Securities as changed, if the Stock Exchanges so require;
- any changes in the general character or nature of business / activities, disruption of operation due to natural calamity, and commencement of commercial production / commercial operations;
- any events such as strikes and lock outs. which have a bearing on the interest payment/ principal repayment capacity;
- details of any letter or comments made by debenture trustees regarding payment/non-payment of interest on due dates, payment/non-payment of principal on the due dates or any other matter concerning the security, the Company and /or the assets along with its comments thereon, if any;
- delay/ default in payment of interest / principal amount /redemption for a period of more than three months from the due date;
- failure to create charge on the assets within the stipulated time period;
- any instance(s) of default/delay in timely repayment of interests or principal obligations or both in respect of the debt securities including, any proposal for re-scheduling or postponement of the repayment programmes of the dues/debts of the Company with any investor(s)/lender(s), where default shall mean - non-payment of interest or principal amount in full on the pre-agreed date



and shall be recognized at the first instance of delay in servicing of any interest or principal on debt.

- any major change in composition of the Board, which may amount to change in control as defined in Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- any revision in the rating;
- approvals by board of directors in their meeting, in relation to the decision to pass any interest payment; or any increase of capital whether by issue of bonus Securities through capitalization, or by way of right securities to be offered to the debenture holders, or in any other way;
- all the information, report, notices, call letters, circulars, proceedings, etc concerning the non-convertible debt securities;
- any other change that shall affect the rights and obligations of the holders of non-convertible debt securities, any other information not in the public domain necessary to enable the holders of the listed Securities to clarify its position and to avoid the creation of a false market in such listed Securities or any other information having bearing on the operation/performance of the Company as well as price sensitive information.

5.5 Any amendments/ deletions/ additions to Schedule III of the SEBI LODR Regulations, as applicable to the Company, will be deemed to be included in Clause 5.1, 5.2 and 5.3 of this Policy.

6. **Authorization and co-ordination for Disclosure:** Pursuant to Reg.30(5) of the SEBI LODR Regulations, the CEO/MD are authorized by the Board for the purpose of determining materiality of an event or information and the Company Secretary is authorized for making disclosures to the Stock Exchange(s) under this Policy.

Once the CEO in consultation with the CFO (in cases where materiality thresholds are applicable) decides to make a disclosure under this Policy, it will be forthwith informed to the Company Secretary for dissemination to stock exchanges within the stipulated timelines. In the absence of the Company Secretary, the dissemination can be made by the CEO/MD or CFO.

The contact details of the said KMPs will be disclosed to the stock exchanges as well as uploaded in the website of the Company.

7. **Time of Disclosure:** Disclosures shall be made as soon as possible but within 24 hours from the occurrence of the event/ information. However, in cases where the disclosure cannot be made within the stipulated time limit of 24 hours, the Company will disseminate the same after 24 hours along with an explanation for the delay.

However, disclosures with respect to events stated in sub-para 4 of Para A of Part A of Schedule III of the SEBI LODR Regulations (stated under outcome of Board meetings in Clause 5.1 of this Policy) the same shall be made within thirty minutes of the conclusion of the Board meeting, where the said matters were considered.

8. **Details of Disclosure:** The Company will disclose details for the events set out in Para A, Para B and Para C of Part A of Schedule III of the SEBI LODR Regulations, in accordance with the



guidelines prescribed under Annexure I of the SEBI Circular. Further, the Company shall ensure that the disclosures are appropriate and would be consistent with the facts of each event being disclosed by the Company.

Additionally, in case of disclosures about the Company's agreements or treaty(ies) or contracts with media companies which are binding and not in the normal course of business, the Company shall comply with the disclosure requirements prescribed under the SEBI Press Release No. 200/ 2010 dated August 27, 2010 and the Press Council of India Press Release No. PR/3/10-11-PCI dated August 2, 2010.

9. **Updation:** With respect to the disclosures made pursuant to this Policy, the Company shall also make disclosures updating material developments on a regular basis, till such time the event is resolved/closed, with relevant explanations therefor.
10. **Subsidiary information/ event:** The Company shall disclose all events or information with respect to its subsidiaries to the extent the event or information is Material for the Company. The criteria for disclosure for this reporting would be the same as stated in Clause 4 above.
11. **Disclosures other than listed events:** In case where an event occurs or an information is available with the Company, which has not been indicated in Para A or B of Part A of Schedule III of the SEBI LODR Regulations, but which may have material effect on it, the Company shall make adequate disclosures in regard thereof.
12. **Manner of Disclosure:** Any information to be disseminated, including responses to any queries raised by the stock exchanges, is required to be given in a separate letter to Stock Exchange(s) and sent vide e-mail or can be made through online submissions.

The Company shall also disclose on its website all such events or information which has been disclosed to stock exchange(s) under this Policy and, and such disclosures shall be hosted on the website of the Company for a minimum period of five years and thereafter as per the Company's Archival Policy, as disclosed on its website. The Company's Code for practices and procedures for fair disclosure of unpublished price sensitive information will also be adhered to.

13. **Dissemination of the Policy:** A copy of the Policy shall be put up on the website of the Company.
14. **Review of the Policy:** The Policy shall be subject to review of the Board, and the Board will be authorized to amend it suitably, as may be deemed necessary in accordance with any regulatory requirements or amendments.

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