

SHANTHI GEARS LIMITED

POLICY ON MATERIAL SUBSIDIARIES

1. Preamble

The following shall be the Policy on determining material subsidiaries of Shanthi Gears Limited ('Company'), as approved by the Company's Board of Directors. This Policy is subject to the Board's review and changes, as may be appropriate, from time to time in conformity with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Regulations") as amended from time to time.

2. Purpose

The purpose of this Policy is to determine the material subsidiaries of the Company.

3. Definitions

a) "Audit Committee" means the Audit Committee of Board of Directors of the Company;

b) "Board" means the collective body of the Directors of the Company;

"Material Subsidiary" means a subsidiary of the Company whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

c) "Significant Transaction or Arrangement" means any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be of the Material Indian Subsidiary for the immediately preceding accounting year;

d) "Subsidiary" means a company as defined under Section 2(87) of the Companies Act, 2013 and the Rules thereunder;

e) "Policy" means this Policy on Material Subsidiaries.

4. Policy

- (a) At least one Independent Director on the Board of the Company shall be a Director on the Board of Directors of the unlisted Material Subsidiary, whether incorporated in India or not.

For the purposes of this clause, notwithstanding anything to the contrary contained in the Regulations and the Policy, the term "Material Subsidiary" shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

- (b) The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted Subsidiary company/ies.
- (c) The Minutes of the Board meetings of the unlisted Subsidiary company/ies shall be placed at the Board meeting of the Company.
- (d) The management of the Company shall on an annual basis bring to the attention of the Board, a statement of all Significant Transaction/s and/or Arrangement/s entered into by the unlisted Subsidiary company/ies.
- (e) Without the prior approval of the shareholders of the Company by means of a special resolution, the Company shall not:
- 1) dispose of shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than fifty percent, 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 or 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;
 - 2) sell/dispose/lease assets amounting to more than twenty percent of the assets of the Material Subsidiary on an aggregate basis during a financial

year, unless the sale/disposal/lease is made under a scheme or arrangement duly approved by a court or 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.

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

5. Disclosure

This Policy shall be disclosed on the website of the Company and a web link thereto provided in the Annual Report of the Company.

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