

SBEC SUGAR LIMITED

**POLICY FOR
DETERMINING
MATERIAL SUBSIDIARY**

Introduction:

The Policy for determining 'material' subsidiary companies has been framed in accordance with the provisions of Regulation 16(c) of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015.

Objective

The objective of the Policy is to determine material subsidiaries of the Company and intends to ensure governance of Material Subsidiaries by complying with Directorship requirements, review of financial statements, bringing to the attention of the Board certain transaction or arrangements, rules regarding disinvestment of Shares held by the Company and restrictions on selling or disposing or leasing of assets of such subsidiaries by the Company.

DEFINITIONS

1. Act

“**Act**” means Companies Act, 2013 and Rules prescribed thereunder, including any statutory amendment or modification thereof.

2. Audit Committee

“**Audit Committee**” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under provisions of SEBI's LODR Regulations, 2015 and the Companies Act, 2013.

3. Consolidated Income

“**Consolidated Income**” means the total income of the Company and its Subsidiaries.

5. Holding Company

“**Holding Company**” in relation to one or more other companies, means a company of which such companies are Subsidiary companies.

6. Independent Director

“**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 Act and SEBI LODR Regulations, 2015.

7. “Material Subsidiary” shall mean a subsidiary, 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.

9. Net Worth

“**Net Worth**” shall mean the net worth as computed based on the last audited financial statements of the Company.

10. Significant Transaction or Arrangement

“**Significant Transaction or Arrangement**” 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 unlisted Subsidiary for the immediately preceding accounting year.

11. “subsidiary company” or “subsidiary”; Pursuant to section 2(87) of the Act, subsidiary or subsidiaries in relation to any other company (that is to say the holding company), means a company in which the holding company—

(i) controls the composition of the Board of Directors; or

(ii) exercises or controls more than one-half of the total share capital

either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause,—

(a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

(b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(c) the expression “company” includes any body corporate;

(d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

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 (Section 2 (27), of the Act).

GUIDING PRINCIPLES

Identification of "Material Subsidiary" of the Company:

Shall be a one-time exercise and such exercise shall be done during each financial year and the conclusion shall be placed before the Audit Committee and the 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 shall be placed before the Audit Committee and the Board of the Company.

PROVISIONS WITH REGARD TO MATERIAL SUBSIDIARY COMPANIES

1. The Chief Financial Officer) and the Company Secretary of the Company will be responsible for monitoring and determining which of the Subsidiaries falls within the definition of Material Subsidiary.

2. Monitoring of investments made by the Company in the Subsidiaries for the purpose of determining the Materiality of the Subsidiary shall be done whenever such an investment is made. Monitoring the quantum of generation of consolidated income of the Company will be done at the time of finalizing the consolidated annual accounts of the Company.

REQUIREMENT REGARDING UNLISTED SUBSIDIARY COMPANY

- a) At least one Independent Director on the Board of the Company shall be a Director on the Board of the material non-listed subsidiary company.
- b) The Audit Committee of the 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 Company.
- d) The Management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company

RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY BY THE COMPANY.

The Company, without passing a special resolution in its General Meeting, 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 dispose shares in the material subsidiary which would cease the exercise of control over the subsidiary or

→ 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.

DISCLOSURES

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

AMENDMENT OR REVIEW

The Board reserves the right to amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary.

SCOPE AND LIMITATION:

In the event of any conflict between the provisions of this Policy and the SEBI's LODR Regulations, 2015/ 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.