

Policy on Determining Material Subsidiary

SHIVA PHARMACHEM LIMITED

1. Purpose:

Regulation 16(1)(c) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“Regulations”] requires every listed company to have a policy for determining material subsidiary.

2. Scope:

This policy shall be used to determine the Material Subsidiaries of the Company and to provide the corporate governance framework as mentioned in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for such subsidiaries.

3. Identification of Material Subsidiary:

“Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

4. Corporate Governance Framework of Material Subsidiary:

(i) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

Explanation - For the purposes of this provision, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.]

(ii) The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the Unlisted Subsidiary Company.

(iii) The minutes of the Board Meeting of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.

(iv) The management of the Unlisted Subsidiary shall periodically bring into the notice of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

Here, significant transactions and arrangement shall mean any individual transaction or arrangement that is likely to exceed ten percent of the total revenue or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

5. Disposal of Material Subsidiary:

The Company shall not:

(I) Dispose of shares in its material subsidiary resulting of the shareholding (either on its own or together with other subsidiaries) to less than (or equal to) **fifty percent** or cease the exercise of control over the subsidiary without passing a special resolution in General Meeting except in cases where such divestment is made under a scheme arrangement duly approved by a Court/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).

(II) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/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).

6. Secretarial Audit and Secretarial Compliance Report:

(1) Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity.

(2) Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within **sixty days** from end of each financial year.