



S. E. POWER LIMITED
Reg. Off.: Survey No. 54/B, Pratapnagar
Jarod-Savli Road, Samlaya Vadodara-391520
CIN: L40106GJ2010PLC091880

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

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[Pursuant to Regulation 16(1) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015]

1. Preamble and background

The Securities and Exchange Board of India (“SEBI”), vide its notification dated September 2, 2015 has issued SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 [“Regulations”]. Regulation 16(1)(c) of said Regulations states that the Listed Entity shall formulate a policy for determining Material Subsidiary.

As on the date of formulation of this Policy, Company has only one subsidiary i.e. Shubham Electrochem Limited, which is not “material subsidiary” in terms of Regulation 16(1)(c) of the Regulations, hence there is no immediate requirement. However, the policy is devised in order to cater the needs of the Company in future when the existing subsidiary company becomes material subsidiary and/or company would own subsidiaries.

2. Definitions

“**Act**” means the Companies Act, 2013, Rules framed thereunder and any amendments thereto.

“**Audit Committee**” means the Audit Committee of the Board of Directors of the Company by whatever name called constituted under the provisions of Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

“**Board**” means the Board of Directors of the Company or its Committee.

“**Company**” means S.E. Power Limited.

“**Control**” shall have same meaning as assigned to it under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

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

“**Policy**” or “**this Policy**” means this Policy for determining “Material Subsidiary”, as amended time to time.

“**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 all the criteria for independent director as prescribed under Companies Act, 2013 and SEBI(LODR) Regulations, 2015.

“**Net worth**” means an aggregate value of the paid-up share capital and all free reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not

written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

“Significant Transaction or Arrangement” means any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenue 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 as defined under the Companies Act, 2013 and Rules made thereunder.

“Subsidiary Company” means a subsidiary as defined under Section 2(87) of the Companies Act, 2013 and rules related thereto.

“Regulations” or “SEBI (LODR) Regulations, 2015” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015.

All other words, terms and expressions used but not defined in this policy, shall have the same meaning as respectively assigned to them in SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 or rules and regulations made thereunder, or any statutory modification or re-enactment thereto, as the case may be.

3. Objective

The objective of this Policy is to determine material subsidiary(ies) of the Company and to provide a governance framework for material subsidiary(ies).

The Policy is formulated in accordance with the requirements of Regulation 16(1)(c) of SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015.

4. Criteria for determining material subsidiary

A subsidiary shall be considered Material if any of the following conditions are satisfied:

- the investment of the Company in the subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year; or
- the subsidiary has generated 20% of consolidated income of the Company during the previous financial year.

Material non-listed subsidiary shall mean a subsidiary which is incorporated in India and is not listed on the Indian Stock Exchange and whose

- net worth exceeds 20% of consolidated net worth of the listed holding company as per the audited balance sheet of the previous financial year; or
- income exceeds 20% of the consolidated income of the listed holding company as per the audited balance sheet of the previous financial year.

5. Materiality test

The materiality test shall be applied every year as soon as the audited financial statements of the Company are made available by the Auditors of the Company.

In case any of the subsidiary(ies) falls under such criteria of material subsidiary, the same is to be reported to the Audit Committee and Board for its noting at the first instance.

6. Compliances/ Governances/ Disclosures

Following requirements must be observed by the Company in relation to a material subsidiary of the Company:

- At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of an unlisted material subsidiary, incorporated in India
- The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meeting of the Board of Directors of the Company.
- The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.
- Subsidiary company shall not either by its own or through its nominee(s), holds any shares in the Company (holding company) and the Company shall not allot or transfer its shares to any of its subsidiary(ies) and any such allotment or transfer of shares of Company to its subsidiary shall be void.

7. Restrictions

The Company shall not, without the prior approval by way of passing special resolution in its General Meeting:

- dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary; or
- sell, dispose and lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year .

Provided that prior approval by way of passing special resolution in General Meeting shall not be required in case where such divestment of shares, sale, disposal,

lease of the assets as the case may be is made under a scheme of arrangement duly approved by Court/Tribunal.

8. Amendment, review and disclosure

In case there are any regulatory changes requiring modification to the Policy, the Policy shall be reviewed and amended with due approval from Managing Director of the Company and same shall be ratified by Board of Directors. The Board of Directors may also review or amend this Policy, in whole or part, from time to time as per requirement of the Regulations.

The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

As provided in Regulation 46(2) of SEBI (LODR) Regulations, 2015, this policy shall be disclosed on the Company's website.