

POLICY ON MATERIAL **SUBSIDIARY COMPANIES**

SHUBH POULTRIES LTD

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CIN: L01222CH1996PLC010845

INDEX

Sr. No.	Particulars	Page Nos.
1.	Part A - Intent and Content	3
2.	Part B – Material Subsidiary Company	4
3.	Part C – Compliances	6
4.	Part D – Governance Structure	7
5.	Part E – Disclosures	8

PART – A

INTENT AND CONTENT

Shubh Poultries Ltd [hereinafter referred to as ‘**the Company**’] is a public limited company incorporated on 31st March, 1996, under the Companies Act, 1956 (Corporate Identity Number L01222CH1996PLC010845). The equity shares of the Company are listed on Ahmadabad Stock Exchange Limited (ASE Limited) and as such the provisions of the Listing Agreements for equity shares are applicable and binding on it.

In terms of Clause 16(1) (c) of the Listing Agreements relating to Corporate Governance, the Company is required to formulate and adopt a policy to determine ‘Material Subsidiaries’ setting out the manner in which certain transactions with regard to such material subsidiaries may be conducted. Accordingly, the Board of Directors, at its Meeting held on approved and adopted the Company’s Policy on Material Subsidiary Companies.

In Clause 16 of the Listing Agreements, compliances relating to material subsidiaries were restricted to unlisted Indian subsidiary companies, *inter alia* requiring the listed holding company to nominate one of its independent directors on the board of its material unlisted Indian subsidiary company.

On September 2, 2015, SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into effect from December 1, 2015. The said regulations are slated to replace the listing obligations and listing requirements as contained in the existing Listing Agreements. In the said Regulations, the definition of a material subsidiary has been amended.

Accordingly, the Board of Directors of the Company has formulated and adopted this Policy relating to Material Subsidiary Companies and related compliances stated hereinafter.

The Executive Director of the Company shall have the authority to issue such guidance and clarifications as may be deemed necessary for the implementation of this Policy and are authorized to delegate said powers to any of the officer(s) of the Company.

This Policy shall deem to have come into effect from December 1, 2015. This Policy may be amended, pursuant to the recommendation of the Whole-time Directors of the Company and subject to the approval of the Board of Directors of the Company.

All words and expressions used shall have the same meaning as assigned to them in the Companies Act, 2013, Rules framed there under and/ or Clause 16 of the Listing Agreements, as amended, from time to time.

PART – B

MATERIAL SUBSIDIARY COMPANY

SUBSIDIARY COMPANY:

Section 2(87) of the Companies Act, 2013 defines a “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), as 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;

CRITERIA FOR DETERMINING THE MATERIAL SUBSIDIARY:

In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a subsidiary company of the Company shall be considered as ‘material’, if:-

- a. its income exceeds 20% of the consolidated net income of the Company and its subsidiary companies in the immediately preceding accounting year; or
- b. its net worth exceeds 20% of the consolidated net income of the Company and its subsidiary companies in the immediately preceding accounting year.

In terms of this Policy, it shall be the responsibility of the Company to ascertain which of its subsidiary companies can be deemed to be a Material Subsidiary Company for the purpose of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and ensure adherence to the relevant provisions stated therein.

PART – C

COMPLIANCES

DIRECTORSHIPS:

The holding company shall appoint any one of its independent directors as a director on the board of unlisted material subsidiary company, incorporated in India.

For the purpose of this requirement, an unlisted material subsidiary company shall mean an unlisted subsidiary company, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year. .

Such affirmation shall be obtained by means of a certificate issued by the Statutory Auditor of the Company and placed at the next meeting of the Board of Directors for its noting.

The Board shall basis such certification; nominate any of one of its independent directors on the Board of such unlisted material subsidiary company. Details thereof shall be disclosed in the report on corporate governance of the Company.

DEALINGS RELATING TO MATERIAL SUBSIDIARY COMPANIES:

In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is prohibited from executing the following transactions, unless prior approval of its shareholders is obtained by means of a special resolution -

- a. dispose the shares held in its material subsidiary company which would reduce its shareholding (either on its own or together with one or more of its other subsidiaries) to less than 50%, except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/ Tribunal; or
- b. cease to exercise the control over the material subsidiary company except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/ Tribunal; or
- c. sell, dispose or lease the assets of such material subsidiary company amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year except in case where such sale, disposal or lease is made under a scheme of arrangement duly approved by a Court/ Tribunal.

PART – D

GOVERNANCE STRUCTURE

In order to comply with the provisions set out in sub-clauses (a) and (b) of Part C to this Policy, the Company shall periodically review and monitor its shareholding in the concerned material subsidiary company.

In order to comply with the provisions set out in sub-clause (c) of Part C to this Policy, the Company shall endeavor to periodically call for and review information relating to assets of such material subsidiary company and changes thereof pursuant to any sale or divestment or transfer or alienation of the assets of such material subsidiary company in any manner whatsoever, resulting in reduction of its asset below the aforementioned limits.

The Company shall annually obtain a certificate from its Statutory Auditors to assess which of its subsidiary companies can be deemed to be a material subsidiary company for the purpose of this clause and the said certificate shall be placed before the meeting of the Board of Directors of the Company for its noting.

All consequential and collateral compliances under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 relating to material subsidiary companies shall be subject to the review and approval of the Board, especially with regard to the matters specified in Part C of this Policy.

PART – E
DISCLOSURES

Appropriate disclosures relating to material subsidiary companies in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be made in the Annual Report and relevant details set out in the explanatory statement to the notice convening the general meetings of the shareholders for seeking their approval, in accordance with the relevant provisions of the Companies Act, 2013 and Rules made there under.

As mandated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company shall disclose this Policy on Material Subsidiary Companies on its website i.e. and a web link shall be provided in its Annual Report.
