

SUMIT WOODS LIMITED
POLICY FOR DETERMINING MATERIAL SUBSIDIARY

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Introduction:

The Board of Directors of Sumit Woods Limited ("**the Company**") recognizes the importance of establishing a comprehensive policy to govern its subsidiaries, particularly those that are material to the Company's operations and financial performance.

The objective of this Policy on Material Subsidiaries ("**Policy**") is to ensure that these entities operate in alignment with the Company's strategic goals, maintain high standards of corporate governance, and comply with all relevant regulatory requirements.

This Policy outlines the criteria for identifying Material Subsidiaries, establishes a governance framework for their operations, and sets forth reporting and monitoring mechanisms to ensure their activities are transparent and accountable.

Purpose:

The purpose of this Policy is to define the criteria for identifying Material Subsidiaries of the Company and to outline the governance framework and reporting requirements for such subsidiaries.

This Policy is designed to ensure that Material Subsidiaries operate in a manner that is aligned with the overall strategic objectives and risk management framework of the Company.

Terms and Definitions:

- 1) "**Act**" means the Companies Act 2013 as may be amended from time to time.
- 2) "**Board of Directors**" or "**Board**" means the Board of Directors of Sumit Woods Limited, as constituted from time to time.
- 3) "**Company**" means Sumit Woods Limited.
- 4) "**Independent Director**" means a director of the Company, not being a whole-time director who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the SEBI Listing Regulations.
- 5) "**SEBI Listing Regulations**" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- 6) "**Subsidiary**" means a subsidiary of the Company as defined under the Act and Rules made there under.

Words and expressions used but not defined in this code shall have the same meaning assigned to them in SEBI Listing Regulations or the Act and the rules made thereunder or any amendment thereto as the case may be.

Determination of Material Subsidiary:

A Subsidiary of the Company shall be considered a 'Material Subsidiary', if the turnover or net worth of the Subsidiary exceeds 10 % of the consolidated turnover or net worth respectively of the Company and its Subsidiaries as per the audited financial statements of the immediately preceding accounting year.

The Company shall, on the formation of a Subsidiary and for all Subsidiaries of the Company, at the end of every financial year, determine whether the Subsidiary falls under the criteria for Material Subsidiary as defined above.

Governance framework regarding Material Subsidiary:

The Company, without passing a special resolution in its General Meeting, shall not:

1. dispose of shares in the material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or
2. dispose of shares in the material subsidiary which would cease the exercise of control over the subsidiary or
3. 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 above divestment/ 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 & Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Further the restriction in the above point no. 3 shall not apply if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company.

Additional requirement in case of Material Unlisted Subsidiaries:

1. At least one Independent Director on the Board of the Company shall be a Director on the Board of the material unlisted subsidiary Company.

For the purposes of this requirement, "material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year."

2. All material unlisted subsidiaries incorporated in India, shall undertake secretarial audit and annex a secretarial audit report given by a Peer Reviewed Company secretary in practice, in such form as specified, with the annual report of the Company.

Governance framework regarding Unlisted Subsidiary Company:

1. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary Company.

2. The minutes of the Board meetings of the unlisted subsidiary Company shall be placed at the Board meeting of the Company.
3. The Management 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 Company.

The term “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.

Review and Revisions:

The Policy shall be reviewed as and when required to ensure that it meets the objectives of the relevant legislation and remains effective.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material subsidiary companies.

In any circumstance, where the terms of this Policy differ from any law, rule, regulation, etc. for the time being in force, the law, rule, regulation, etc. shall take precedence over this Policy.
