

JAI BALAJI INDUSTRIES LIMITED

POLICY ON DETERMINING “MATERIAL” SUBSIDIARIES

1. INTRODUCTION

The Board of Directors (the “Board”) of Jai Balaji Industries Limited (the “Company”) has adopted this policy with the purpose of determining material subsidiaries in Jai Balaji Group in terms of Clause 49 of the Listing Agreement with the Stock Exchanges and to provide a suitable governance framework for such material subsidiaries.

2. DEFINITIONS

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under the provisions of the Companies Act, 2013 & rules framed there under or any under any previous company law for the time being in force and the Listing Agreement with the Stock Exchanges.

“**Board of Director**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**Company**” means Jai Balaji Industries Limited as incorporated under the Companies Act, 1956.

“**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 all other criteria’s for independence as provided under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.

“**Policy**” means Policy on Material Subsidiary.

“**Material Non Listed Indian Subsidiary**” means an unlisted Subsidiary, incorporated in India, whose income or networth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or networth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

“**Significant Transaction or Arrangement**” means 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 material unlisted subsidiary for the immediately preceding accounting year.

“**Subsidiary**” has the meaning as assigned to it under the Companies Act, 2013 and the Rules framed there under.

3. POLICY

A subsidiary shall be considered to be a **Material Subsidiary**, if any of the following conditions are satisfied:

- a) 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

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- b) If the subsidiary has generated 20% of the consolidated income of the Company during the previous financial year.

4. DISPOSAL OF MATERIAL SUBSIDIARY

The Company, without the approval of the Members by means of a Special Resolution in a General Meeting, shall not:

- a) dispose off shares held in its Material Subsidiaries which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% (fifty per cent) ; or
- b) dispose off shares held in its Material Subsidiaries which would cease the exercise of its control over the Material Subsidiary;
- c) sell, dispose or lease the assets amounting to more than 20% (twenty per cent) of the assets of the material subsidiary on an aggregate basis during a financial year.

However, where a divestment/sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal, the aforesaid restrictions shall not apply.

5. REQUIREMENTS REGARDING MATERIAL NON_LISTED INDIAN SUBSIDIARY

1. Atleast one Independent Director on the Board of Directors of the Listed Holding Company shall be a director on the Board of Directors of a Material Non-Listed Indian Subsidiary Company.
2. The Audit Committee of the Listed Holding Company shall also review the financial statements, in particular, the investments made by the Non-Listed Indian Subsidiary Company.
3. The minutes of the Board Meetings of the Non-Listed Indian Subsidiary Company shall be placed at the Board Meeting of the listed Holding Company and the management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all Significant Transactions and Arrangements entered into by the Non-Listed Indian Subsidiary Company, if any.

Where a Listed Holding Company has a listed Subsidiary which is itself a Holding Company, the above clauses of policy shall apply to the Listed Subsidiary in so far as its Subsidiaries are concerned.

6. SCOPE AND LIMITATION

In the event of any conflict between the terms of this policy and the Listing Agreement, the Companies Act, 2013 or any other statutory enactments, the provisions of such statutory enactments shall prevail to the extent of such conflict.

7. DISCLOSURES

The Company shall disclose the Policy on the Company's website and a web link thereto shall be provided in the Annual Report for the financial year 2014-15.