



Arfin India Limited

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POLICY FOR DETERMINATION OF MATERIAL SUBSIDIARY

Pursuant to Regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time

1. SCOPE AND PURPOSE OF THE POLICY

The Securities and Exchange Board of India ("SEBI"), vide its Notification dated September 2, 2015, has issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("LODR"). The Regulations come into force from December 1, 2015. As per the Regulation 16 (C) read with Regulation 24 of the LODR (as amended from time to time), the Board of Directors ("Board") of Arfin India Limited ("Company") is required to frame a policy for determining material subsidiary under various applicable listing regulations.

2. OBJECTIVE OF THE POLICY

The purpose of this policy is to ensure that the listed company complies with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) related to its material subsidiaries. The policy will ensure the governance and transparency of the subsidiaries, as well as proper reporting and compliance in accordance with the provisions of the regulations.

3. DEFINITIONS

"Act" means the Companies Act, 2013 as may be amended from time to time.

"SEBI Listing Regulations" means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.

"Applicable Law" means any law, rules, circulars, guidelines or regulations issued by the Securities and Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), The Institute of Company Secretaries of India (ICSI) and other professional bodies under which the preservation of documents has been prescribed.

"Company" means Arfin India Limited.

"Board of Directors" or **"Board"** in relation to a Company, means the collective body of Directors of the Company. [Section 2(10) of the Companies Act, 2013].

"Holding Company" means pursuant to Section 2(46) of the Act, Holding Company in relation to one or more other companies, means a Company of which such companies are subsidiaries companies.

"Income/Revenue" means Total Income (including other income) as per the latest audited financial statements of the Company.

"Net Worth" means net worth as defined under Section 2(57) of the Companies Act, 2013.

"Policy" means Determination of Material Subsidiary.

"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 criteria for independence under the Act and the Listing Agreement with Stock Exchanges.

"Material subsidiary" shall mean a subsidiary, whose income or net worth exceeds ten percent or such other percentage as prescribed by the Listing Regulations of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

"Unlisted Material Subsidiary" means a Subsidiary, which is an unlisted company, incorporated in India or abroad, whose income or net worth exceeds twenty percent (20%) of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

"Subsidiary Company"/"Subsidiary" means in relation to any other company (that is to say the holding company), means 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 voting power either at its own or together with one or more of its subsidiary companies:

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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

4. DETERMINATION OF MATERIAL SUBSIDIARY

The Board of Directors of the listed company will evaluate and determine which of its subsidiaries qualify as material subsidiaries based on the criteria set forth in this policy. The materiality will be based on the latest audited financial statements of the listed entity and its subsidiaries.

5. GOVERNANCE FRAMEWORK FOR MATERIAL SUBSIDIARY

- a) **Independent Director:** At least one independent director of the listed company should be a director on the board of a material unlisted subsidiary, whether incorporated in India or not.
- b) **Board Minutes:** The minutes of the meetings of the board of directors of the material subsidiary should be placed before the board of the listed entity for review.
- c) **Significant Transactions:** Any material transactions or arrangements between the listed entity and its material subsidiary should be disclosed as per the regulations. The board of directors of the listed entity shall ensure that such transactions are in the best interests of the company and its shareholders.
- d) **Secretarial Audit:** Material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified in the Annual Report of the Company.
- e) **Audit Committee:** The audit committee shall review the financial statements, in particular, the investments made by the unlisted Subsidiary Company.

6. DISPOSAL OF MATERIAL SUBSIDIARY

- a) The Company shall not dispose of shares in its Material Subsidiary that reduces its 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 material subsidiary without passing a special resolution in a General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under the Insolvency and Bankruptcy Code, 2016.

- b) The Company shall not dispose of shares in its Material Subsidiary that reduces its 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 material subsidiary without passing a special resolution in a General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under the Insolvency and Bankruptcy Code, 2016.

7. REVIEW

The Company may review this policy annually or as and when required.

8. DISCLOSURE

The Company shall disclose the Policy on Determination on Material Subsidiary on its website and a web link thereto shall be provided in the Annual Report.

9. AMENDMENT IN LAW

Any subsequent amendment / modification in the Listing Regulations and / or other laws in this regard shall automatically apply to this Policy. The same shall be added / amended / modified from time to time as authorized by the Audit Committee with due procedure.