

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

1. Introduction:

The Board of Directors (the "Board") of Shree Ajit Pulp and Paper Limited (the "Company") has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below. The Board may review and amend this policy from time to time.

This Policy is in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

2. Policy Objective:

To determine the Material Subsidiaries of Shree Ajit Pulp and Paper Limited and to provide the governance framework for such subsidiaries.

3. Definitions:

"Policy" means Policy on Material Subsidiary.

"Material Non Listed Indian Subsidiary" shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceed 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

"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 material unlisted subsidiary for the immediately preceding accounting year.

"Subsidiary" shall be as defined under the Companies Act, 2013 and the Rules made there under.

4. Policy:

1. A subsidiary shall be a **Material Subsidiary**, if any of the following conditions are satisfied:
 - a. In which the Investment of the Company/Proposed Investment, exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year; or
 - b. Which have generated 20% of the consolidated income of the Company during the previous financial year.
2. One **Independent Director** of the Company shall be a director on the Board of the Material Non-Listed Indian Subsidiary Company.
3. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on an annual basis.
4. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the holding Company on quarterly basis.
5. The management shall on quarterly basis bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company.

5. Disposal of Material Subsidiary:

The Company, without the prior approval of the members by Special Resolution, shall not:

- a. dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- b. ceases the exercise of control over the Subsidiary; or
- c. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary.

6. Disclosure:

The policy shall be uploaded on the website of the Company.