

# **POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

aarvee engineering consultants limited

## **CONTENTS**

1. INTRODUCTION
2. PURPOSE OF THE POLICY
3. EFFECTIVE DATE
4. SCOPE AND LIMITATION
5. DEFINITIONS
6. GOVERNANCE FRAMEWORK WITH RESPECT TO SUBSIDIARY OF THE COMPANY
7. RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY BY THE COMPANY
8. RESTRICTION ON DISPOSAL OF ASSETS OF MATERIAL SUBSIDIARY BY THE LISTED ENTITY
9. DISCLOSURE
10. SECRETERIAL AUDIT
11. POLICY REVIEW

## **POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

### **1. INTRODUCTION**

Securities and Exchange Board of India (“SEBI”), has vide its notification dated September 2, 2015 introduced the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (“the Listing Regulations”). Regulation 16(1)(c) of Chapter IV of the Listing Regulations requires the companies listed on Stock Exchanges to frame Policy for determining ‘Material Subsidiary’ of the Company and to provide governance framework for such subsidiaries.

Accordingly, in compliance with the aforesaid regulations, the Board of Directors (the “Board”) of Aarvee Engineering Consultants Limited (the “Company”), has adopted this Policy for determination of “Material Subsidiaries” at its Meeting held on -----

### **2. PURPOSE OF THE POLICY**

The purpose of this Policy is to set out the approach for determination of Material subsidiaries of the Company and disclosures thereof, as required under the Listing Regulations. The Policy also intends to ensure governance of Material Subsidiaries by, inter alia, complying with directorship requirements, review of financial statement, bringing to the attention of the Board certain transactions/ arrangement, formulating rules regarding disinvestment of shares held by the Company in the Material Subsidiaries, and restrictions on selling/disposing/leasing of assets by the Material Subsidiaries.

### **3. EFFECTIVE DATE**

The Policy shall be effective from day on which the equity shares of the company gets listed.

### **4. SCOPE AND LIMITATION**

In the event of any conflict between the provisions of this Policy and the Listing Regulations/ the Companies Act, 2013 (“the Act”) or any other statutory enactments, rules, the provisions of the Listing Regulations/ the Act or statutory enactments, rules shall prevail over this Policy.

## 5. DEFINITIONS

- 5.1. **‘Act’** means the Companies Act, 2013 and Rules made thereunder.
- 5.2. **‘Audit Committee’** means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act read with Regulation 18 of the Listing Regulations.
- 5.3. **‘Board of Directors’** or **‘Board’** means the Board of Directors of the Company, as constituted from time to time.
- 5.4. **‘Company’** means Aarvee Engineering Consultants Limited. (AECL).
- 5.5. **‘Control’** means shall have the same meaning as assigned to it under SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011.
- 5.6. **‘Independent Director’** means Director of the Company, not being Whole-Time Director who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence as laid down under Schedule IV of the Act read with Regulation 16(b) of the Listing Regulations.
- 5.7. **‘Management’** means the Senior Management and Key Managerial Personnel of the Company.
- 5.8. **‘Material Subsidiary’** means as defined under Regulation 16(1)(c) of the Listing Regulations shall mean a Subsidiary, whose turnover or net worth exceeds 10% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- 5.9. **‘Policy’** means this policy for determining Material Subsidiary(ies).
- 5.10. **‘Significant Transaction or Arrangement’** means as defined under Regulation 24(4) of the Listing Regulations 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.
- 5.11. **‘Subsidiary Company’** or **‘Subsidiary’** means subsidiary Company as defined under Section 2(87) of the Act and the rules made thereunder.
- 5.12. **‘Unlisted Subsidiary’** means any Subsidiary of the Company whose shares are not listed on any recognized stock exchange in India.
- 5.13. Any other term not defined herein shall have same meaning as defined in the Act, the Listing Regulations, each as amended or any other applicable law or regulation in force.

## **6. GOVERNANCE FRAMEWORK WITH RESPECT TO SUBSIDIARY OF THE COMPANY**

6.1. A Subsidiary shall be considered Material Subsidiary, if its turnover or net worth exceeds 10% (ten percent) of the consolidated turnover or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

6.2. At least one (1) Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of an unlisted Material Subsidiary, whether incorporated in India or not. Provided that this requirement shall be applicable only to a subsidiary, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

6.3. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the Unlisted Subsidiary.

6.4. The minutes of the meetings of the Board of Directors of the Unlisted Subsidiary shall be placed at the meeting of the Board of Directors of the Company.

6.5. The Management of the Unlisted Subsidiary 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.

6.6. Explanation: 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, and shall be in accordance with any meaning as may be provided for “significant transaction or arrangement” under Regulation 24(4) of the SEBI Listing Regulations, from time to time.

6.7. The Management shall present to the Audit Committee annually, the list of subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.

## **7. RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY BY THE COMPANY**

The Company shall not dispose of shares in its Material Subsidiary resulting in reduction of

its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or cease the exercise of Control over the subsidiary without passing a special resolution in its 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 Section 31 of Insolvency and Bankruptcy Code 2016 and such an event is disclosed to the recognized Stock Exchanges within one (1) day of the resolution plan being approved.

#### **8. RESTRICTION ON DISPOSAL OF ASSETS OF MATERIAL SUBSIDIARY BY THE LISTED ENTITY**

Selling, disposing and leasing of assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of the Shareholders by way of Special Resolution, unless the 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 Code and such an event is disclosed to the recognized Stock Exchanges within one day of the resolution plan being approved.

#### **9. DISCLOSURE**

This Policy shall be disclosed on the website of the Company in pursuance of Regulation 46(2)(h) of the Listing Regulations and a web link thereto shall be provided in the Annual Report of the Company.

#### **10. SECRETERIAL AUDIT**

Every Unlisted Material Subsidiary incorporated in India, shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by the company secretary in practice.

#### **11. POLICY REVIEW**

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy as it may



deem necessary. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy.

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.

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