



## Policy for determining ‘Material’ subsidiaries

### 1. Purpose and Scope:

The Policy for determining ‘material’ subsidiary companies had been framed in accordance with the provisions of Regulation 16(1)(c) and Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”).

The Policy will be used to determine the material subsidiaries of Mega Nirman & Industries Limited (referred to as “MNIL” or “the Company”) and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

### 2. Identification of ‘Material’ subsidiary:

A subsidiary shall be considered as material if:

- a. the networth of the subsidiary, exceeds 20 per cent of the consolidated net worth of MNIL and its subsidiaries in the immediately preceding accounting year or,
- b. if the income of the subsidiary exceeds 20 per cent of the consolidated income of MNIL and its subsidiaries in the immediately preceding accounting year.

### 3. Governance framework:

- i. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary.
- ii. The minutes of the Board Meetings of the Unlisted Subsidiary shall be placed before the Board of the Company.
- iii. The management shall periodically 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. The term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues

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- or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.
- iv. At least one Independent Director of the Company shall be a director on the Board of the unlisted material subsidiary, incorporated in India.
  - v. The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.

#### **4. Disposal of Material Subsidiary:**

The following disposals shall not be permitted:

- a. The Company reducing its shareholding (either on its own or together with other subsidiaries) to less than fifty per cent or ceasing exercise of control over the subsidiary or,
- b. Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year

without passing a special resolution in the Company's General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal under the Companies Act, 2013 or the Companies Act, 1956, or rules made thereunder.

#### **5. Policy Review:**

This policy is framed pursuant to the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the Listing Regulations.

In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.

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