

## Policy for determining Material Subsidiaries

### INTRODUCTION

The Board of Directors of Engineers India Limited has adopted the following policy and procedures with regard to determination of Material Subsidiaries.

### TITLE

This Policy shall be called 'Policy for determining material subsidiaries'.

### OBJECTIVE

The objective of the Policy is to determine material subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

The Policy is framed in accordance with the requirements of the Clause 49 of the Listing Agreement and guidelines issued by the Department of Public Enterprises (DPE) on Corporate Governance (including any amendments thereof).

### DEFINITIONS

**"Act"** means Companies Act, 2013 & rules made thereunder.

**"Audit Committee"** Audit Committee means the committee formed under Companies Act, 2013/Listing Agreement/DPE guidelines.

**"Board of Directors"** or **"Board"** means the Board of Directors of Engineers India Limited, as constituted from time to time.

**"Company"** means Engineers India Limited.

**"Holding Company"** in relation to one or more other companies, means a company of which such companies are subsidiaries companies.

**"Independent Director"** means a Director who satisfies the criteria for independence under the Companies Act, 2013, the Listing Agreement with the Stock Exchanges and DPE guidelines on Corporate Governance.

**"Policy"** means this Policy, as amended from time to time.

**"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 mean a subsidiary as defined under the Act and Rules made thereunder. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contracts (Regulation) Act, 1956, DPE guidelines or any other applicable law or regulation.

## **POLICY**

A subsidiary shall be considered as **Material** if-

- ❖ the investment of the Company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year; or
- ❖ the subsidiary has generated twenty per cent of the consolidated income of the Company during the previous financial year.

Material Non Listed Indian Subsidiary shall mean a Subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges and whose:

- ❖ net worth exceeds 20% of the consolidated net worth of the Company as per the audited balance sheet of the previous financial year; or
- ❖ income exceeds 20% of the consolidated income of the Company as per the audited balance sheet of the previous financial year.

## **GUIDING PRINCIPLES**

"Material subsidiary" of the Company would be identified, which would include, if any:

- ❖ Material listed Indian & foreign subsidiaries
- ❖ Material non listed foreign subsidiary

as one time exercise and such exercise shall be done by Finance Directorate during each financial year and the conclusion placed before the Audit Committee and the Board of Directors of the Company.

"Material non listed Indian subsidiary" of the Company would be identified, if any, as one time exercise and such exercise shall be done by Finance Directorate during each financial year and the conclusion placed before the Audit Committee and the Board of the Company.

## **REQUIREMENT REGARDING MATERIAL SUBSIDIARY**

The Company, without passing a special resolution in its General Meeting, shall not:-

- ❖ dispose shares in the material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or
- ❖ dispose shares in the material subsidiary which would cease the exercise of control over the subsidiary or

- ❖ sell, dispose or lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year,

unless in cases where the divestment/ sale/ disposal/ lease is made under a scheme of arrangement duly approved by a Court/Tribunal/Government. Further, any DPE guidelines in this regard shall be followed.

#### **REQUIREMENT REGARDING MATERIAL NON-LISTED INDIAN SUBSIDIARY**

At least one Independent Director on the Board of the Company shall be a Director on the Board of the material non-listed Indian subsidiary company.

The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.

The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company. 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 unlisted subsidiary company.

#### **COMPLIANCE BY STEP DOWN SUBSIDIARIES**

Where a company has a listed subsidiary which is itself a holding company, this policy shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

#### **AMENDMENTS**

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, based on the recommendations of the Audit Committee.

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.

#### **SCOPE AND LIMITATION**

In the event of any conflict between the provisions of this Policy and the Listing Agreement/Companies Act, 2013/DPE guidelines or any other statutory enactments, rules, the provisions of such Listing Agreement / Companies Act, 2013/DPE guidelines or statutory enactments, rules shall prevail over this Policy.

#### **DISSEMINATION OF POLICY**

- ❖ This policy shall be hosted on website of the Company and a web link thereto shall be provided in the annual report of the Company