



**ESAAR (INDIA) LIMITED**

**POLICY FOR DETERMINING MATERIAL**

**SUBSIDIARY COMPANY**

**1. INTRODUCTION:**

- 1.1** The Board of Directors (the “Board”) of Esaar (India) Limited (the “Company”), has adopted the following policy and procedures with regard to determination of Material Subsidiaries.
- 1.2** This policy also stipulates the governance procedures with regard to material subsidiaries so determined.

**2. SCOPE AND PURPOSE:**

- 2.1** The Company has formulated and adopted this policy (“Policy”) for determining material subsidiary companies in terms of SEBI (Listing Obligations and Disclosure Requirements), 2015 (“Listing Regulations”). The objective of this policy is to lay down criteria for identification and dealing with material subsidiaries and to formulate a governance framework for such material subsidiary Companies.

**3. DEFINITIONS:**

- 3.1** All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them, in the Applicable Law under reference.
- i. **“Applicable Law”** includes
    - a. the Companies Act, 2013 (the Act) including Companies (Amendment) Act, 2017 and rules made thereunder;
    - b. the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations);
    - a. Indian Accounting Standards; and
    - b. any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
  - ii. **“Act”** means the Companies Act 2013 as may be amended from time to time.
  - iii. **“Board of Directors”** or **“Board”** means the Board of Directors of Esaar (India) Limited, as constituted from time to time.
  - iv. **“Company”** means Esaar (India) Limited.
  - v. **“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 Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.
  - vi. **“Unlisted Material Subsidiary”** means a Material Subsidiary whose securities are not listed on any recognized Stock Exchanges in India.

- vii. **"Significant Transaction or Arrangement"** shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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.
- viii. **"Consolidated Income or Consolidated Networth"** means the total income or networth of the Company and its subsidiaries.

#### **4. CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY:**

- 4.1** In terms of the Listing Regulations, a subsidiary company of the Company shall be considered as 'material', if:-
  - a. its income exceeds 10% of the consolidated net income of the Company and its subsidiary companies in the immediately preceding accounting year; or
  - b. its net worth exceeds 10% of the consolidated net worth of the Company and its subsidiary companies in the immediately preceding accounting year.
- 4.2** The Company shall annually obtain a certificate from its Statutory Auditors to assess which of its subsidiary companies can be deemed to be a material subsidiary company for the purpose of the Listing Regulations and the said certificate shall be placed before the meeting of the Board of the Company for its noting.
- 4.3** In terms of this Policy, it shall be the responsibility of the Company to ascertain which of its subsidiary companies can be deemed to be a Material Subsidiary Company for the purpose of the Listing Regulations and ensure adherence to the relevant provisions stated therein.

#### **5. GOVERNANCE OF MATERIAL SUBSIDIARY:**

##### **5.1 Requirements regarding Unlisted Subsidiary Company:**

- a. The minutes of the meetings of the Board of Directors of unlisted subsidiary company shall be placed before the Board of the Company.
- b. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- c. The management of the unlisted subsidiary company shall periodically bring to the attention of the Board of the Company, a statement of all significant transactions and arrangements entered into by unlisted subsidiary company.

**5.2 Requirements regarding Material Unlisted Subsidiary Company:**

- a. The Company shall appoint any one of its independent directors as a director on the board of directors of unlisted material subsidiary company, whether incorporated in India or not.
- b. For the purpose of this requirement, an unlisted material subsidiary company shall mean an unlisted subsidiary company, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

**5.3 Disinvestment in a Material subsidiary:**

- a. 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 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
- b. Sell, dispose or lease the assets of the material subsidiary company amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year except in case where such sale, disposal or lease is made under a scheme of arrangement duly approved by a Court/ Tribunal.

**6. DISCLOSURE:**

- 6.1 This policy for determining material subsidiaries is to be disclosed on the website of the Company i.e. [www.esaar.in](http://www.esaar.in) and a weblink thereto will be provided in the Annual report of the Company.

**7. POLICY REVIEW:**

- 7.1 This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Listing Regulations or any other Applicable Law or as may be otherwise prescribed by the Board from time to time.

**8. SCOPE AND LIMITATION:**

- 8.1 In the event of any conflict between the provisions of this Policy and the Applicable Law, the Applicable Law shall prevail over this Policy.

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