

**POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

**1. Objective of the Policy**

The objective of this Policy is to Pursuant to Regulation 16(1)(c) of determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries as required under of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), covering the following:

- i) meaning of 'Material' Subsidiary
- ii) requirement of Independent Director in certain Unlisted Material Subsidiaries.
- iii) Restriction on disposal of shares of Material Subsidiary
- iv) Restriction on transfer of assets of Material Subsidiary
- v) Secretarial audit by Material Unlisted Subsidiaries incorporated in India; and
- vi) Disclosure requirements as prescribed under SEBI LODR.

**2. Definitions**

**“Act”** :- means the Companies Act, 2013 and the rules made thereunder (including any statutory modification/re-enactment thereof for the time being in force).

**“Company”** means Nelco Ltd.

**“Control”** :- shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their Shareholding or management rights or shareholder agreements or voting agreements or in any other manner.

**“Independent Director” or “ID”** implies a director other than a managing director or a whole-time director or a nominee director and who satisfies other criteria for independence mentioned in the Companies Act, 2013 and the Listing Regulations.

**“Material Subsidiary”** Means a subsidiary, unless otherwise expressly defined, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**“Significant Transaction or Arrangement”** implies 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.

**“SEBI LODR”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the circulars issued thereunder and amendments thereto.

**“Subsidiary”** shall mean as defined under the Companies Act, 2013 and the Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI LODR or any other applicable law or regulation.

**3. Independent Director on the Board of an Unlisted Material Subsidiary**

3.1 At least one Independent Director on the Board of the Company shall be a director on the board of the Unlisted Material Subsidiary, whether incorporated in India or not.

3.2 For the purpose of compliance with the above, the term “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**4. Restrictions on disposal of shares of material subsidiary by the Company.**

The Company shall not dispose off shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than fifty percent (50%) or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in such cases where divestment is 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.

**5. Restriction on disposal of its assets of material subsidiary**

Selling, disposing and leasing of assets amounting to more than twenty percent (20%) of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company 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 and Bankruptcy Code, 2016 ('Insolvency Code') and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

**6. Secretarial audit by the Material Unlisted Subsidiaries incorporated in India**

The Company and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its Annual Report, a secretarial audit report, given by a company secretary in practice, in Form No. MR-3 as specified under the Act with effect from the year ended March 31, 2019.

**7. Other Compliances in respect of Unlisted Subsidiaries whether material or not**

**7.1 Significant transactions/arrangements**

The management should periodically bring to the attention of the Board a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary Company.

**7.2 Financial Statements**

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

**7.3 Minutes of Unlisted Subsidiaries**

The minutes of the Meetings of the Board of Directors of the Unlisted Subsidiary Companies of the Company shall be placed at the Meeting of the Board of Directors the Company.

**8. Disclosures**

This Policy shall be disclosed in the Company's website and a web link thereto shall be provided in the annual report.

**9. Review of the Policy**

This Policy shall be subject to review as may be deemed necessary by the Board of Directors of the Company or in case of any regulatory amendments.

**10. Scope and limitation**

In the event of any conflict between the provisions of this Policy and the SEBI LODR or the Act or any other relevant legislation/ regulation applicable to the Company, the provisions of the SEBI LODR or the Act or such other relevant law / regulation shall prevail over this Policy.

**This Policy is amended and approved by the Board on and effective from 23<sup>rd</sup> October 2019.**