



ARDEE ENGINEERING LIMITED

POLICY FOR DETERMINING 'MATERIALITY' OF  
SUBSIDIARIES

### **1. Purpose and Scope:**

The Board of Directors (“Board”) of Ardee Engineering Limited (“Company”) has adopted the policy and procedures for determining ‘material’ subsidiary companies (“Policy”) in accordance with the provisions of Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”). The Policy will be used to determine the material subsidiaries of 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 (“Act”) and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

### **2. Identification of ‘Material’ Subsidiary:**

A in accordance with Regulation 16(1)(c) of the Listing Regulations, Material subsidiary shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

### **3. Governance Framework:**

- i. The Audit Committee of the Company shall periodically review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- ii. The minutes of the Board Meetings of the unlisted subsidiary company shall be placed before the Board of Directors of the Company.
- iii. 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 company.
- iv. A transaction or arrangement shall be considered significant if it exceeds or is likely to exceed 10 percent of total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding financial year.
- v. At least one Independent Director of the Company shall be a director on the Board of the unlisted material subsidiary company, whether incorporated in India or not.

For the purposes of this clause, notwithstanding anything to the contrary contained in other clauses above, the term “material subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds 20 percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding financial year.

- vi. The Company shall obtain prior approval of shareholders by way of special resolution in its general meeting, if the disposal of shares in its material subsidiary (either on its own or together with other subsidiaries) results in reduction of its shareholding, to less than 50 percent or the Company ceases the exercise of control over such subsidiary;  
Such approval shall not be required if the disinvestment 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.
- vii. The Company shall obtain prior approval of shareholders by way of special resolution, if any sale, disposal and leasing of assets amounting to more than 20 percent of the assets

of the material subsidiary on an aggregate basis during a financial year; Such approval shall not be required, if such sale, disposal, lease of assets 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.

Every material unlisted subsidiary incorporated in India shall undertake secretarial audit and the secretarial audit report shall be annexed with the annual report of the Company.

#### **4. Policy Review:**

This Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments in Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments.

Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

#### **5. Disclosures:**

The Company shall disclose the details of this Policy in its Board's report as required under the Act and the Listing Regulations. This Policy shall be disclosed on the website of the Company at [www.ardee.co.in](http://www.ardee.co.in)