

GHCL LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

[Regulation 16 (1) (c) & Regulation 24 of SEBI Listing Regulations, 2015]



GHCL Limited



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POLICY FOR DETERMINING MATERIAL SUBSIDIARY OF GHCL LIMITED

[Regulation 16 (1) (c) & Regulation 24 of SEBI Listing Regulations, 2015]

1. TITLE

This policy shall be called '**Policy for determining Material Subsidiary**'.

2. PURPOSE AND SCOPE

This Policy is formulated in accordance with the requirements under Regulation 16(1)(c) read with Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The purpose of this Policy is to establish a framework to determine "Material Subsidiary" status and set forth the governance framework for such subsidiaries, whether incorporated in India or outside India and whether listed or unlisted.

All terms not defined herein shall have the meaning assigned to them under the Listing Regulations or, where not defined therein, under the Companies Act, 2013 ("Act") and the rules, notifications, and circulars issued thereunder, as amended from time to time.

3. DEFINITIONS :

- (a) **Audit Committee:** A committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and applicable provisions of the Listing Regulations.
- (b) **Independent Director:** A director of the Company who is not a whole-time director, is neither a promoter nor a member of the promoter group, and satisfies the criteria for independence as specified under the Act and the Listing Regulations.
- (c) **Material Subsidiary:** A subsidiary whose income or net worth exceeds 10% of the consolidated income or net worth, respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year **[Regulation 16(1)(c) of the Listing Regulations]**. **This definition of material subsidiary shall be equally applicable to the provision of regulation 24(5) and 24(6) of the listing regulations.**

However, for the purpose of nominating one independent director of listed holding company on the board of unlisted material subsidiary, whether incorporated in India or not, 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 holding





company and its subsidiaries in the immediately preceding accounting year.

- (d) **Significant Transaction or Arrangement:** Any transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues, total expenses, total assets, or total liabilities of the unlisted subsidiary, as applicable, for the immediately preceding accounting year [Explanation to Regulation 24(4) of the Listing Regulations].
- (e) **Subsidiary:** As defined under the Act and the rules made thereunder.
- (f) **Unlisted Subsidiary:** A Subsidiary whose securities are not listed on any recognized Stock Exchanges.

4. CORPORATE GOVERNANCE REQUIREMENTS FOR SUBSIDIARIES

- (a) **Appointment of Independent Director on the Board of Unlisted Material Subsidiary:** At least one Independent Director of the listed holding company shall be a director on the board of an unlisted material subsidiary, whether incorporated in India or outside India. For this purpose, a "material subsidiary" is defined as 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. [Regulation 24(1)]
- (b) **Review of Financial Statements by Audit Committee:** The Audit Committee of the listed holding entity shall review the financial statements, particularly the investments made by the unlisted subsidiaries, irrespective of whether they are incorporated in India or outside India. [Regulation 24(2)]
- (c) **Submission of Board Meeting Minutes:** The minutes of the meetings of the Board of Directors of the unlisted subsidiaries, whether incorporated in India or not, shall be placed before the Board of Directors of the listed holding company. [Regulation 24(3)]
- (d) **Reporting of Significant Transactions and Arrangements:** The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the listed holding company a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

For this regulation, "**significant transaction or arrangement**" refers to any transaction or arrangement **exceeding 10% of the** total revenues, total expenses, total assets, or total liabilities, as applicable, of the unlisted subsidiary for the immediately preceding accounting year. [Regulation 24(4)]





(e) Restriction on Disposal of Shares in Material Subsidiary: The listed entity shall not dispose of shares in its **Material Subsidiary** that would reduce its shareholding (either on its own or together with other subsidiaries) to 50% or less or would cease to exercise control over the subsidiary without passing a special resolution in its general meeting, except where such divestment is made under a scheme of arrangement approved by a Court/Tribunal or a resolution plan approved under Section 31 of the Insolvency Code. Such events must be disclosed to the recognized stock exchanges within one day of approval. [Regulation 24(5)].

For the purpose of this clause, the term “**material subsidiary**” shall mean a subsidiary whose income or net worth **exceeds 10% of the** consolidated income or net worth, respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year [Regulation 16(1)(c)]

(f) Restrictions on Selling, Disposing, and Leasing of Assets of Material Subsidiary: Selling, disposing, and leasing of assets amounting to more than 20% of the assets of the **material subsidiary** on an aggregate basis during a financial year shall require prior approval of the shareholders by way of a special resolution unless the sale/disposal/lease is made under a scheme of arrangement approved by a Court/Tribunal or a resolution plan approved under Section 31 of the Insolvency Code. Such events must be disclosed to the recognized stock exchanges within one day of approval. [Regulation 24(6)]

For the purpose of this clause, the term “**material subsidiary**” shall mean a subsidiary whose income or net worth **exceeds 10% of the** consolidated income or net worth, respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year [Regulation 16(1)(c)]

(g) Provisions Applicable to Listed Subsidiaries: If a listed entity has a listed subsidiary that is itself a holding company, the provisions of Regulation 24 shall apply to that listed subsidiary insofar as its subsidiaries are concerned. [Regulation 24(7)]

5. DISCLOSURES

This Policy for determining material subsidiaries shall be disclosed on the Company's website, and a web link to the Policy shall be provided in the annual report.

6. LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and the Act, Listing Regulations, or any other statutory enactments, rules, or regulations, the provisions of the Act, Listing Regulations, or statutory enactments shall prevail. Any subsequent amendments or modifications in the Listing Regulations, the Act, or applicable laws shall automatically apply to this Policy.





7. CHANGE LOG

1.	Type of Document	Policy
2.	Recommended by Audit & Compliance Committee	January 28, 2016
3.	Approved by Board of Directors	January 28, 2016
4.	Reviewed by Managing Director	April 1, 2024
5.	Amended by Company Secretary	September 9, 2024
6.	Approved by Board of Directors	September 16, 2024
7.	Document Control	Corporate Secretarial

For GHCL Limited

R S Jalan
Managing Director

