



**KEI INDUSTRIES LIMITED**

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**POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES: KEI INDUSTRIES LIMITED**

**I. Preamble:**

In order to adhere to the requirement of Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Board of Directors of the Company has approved and adopted this policy for determining 'material' subsidiaries of the Company (KEI Industries Limited).

This Policy will be used to determine the material subsidiaries and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have the 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.

**II. Definitions:**

**"Audit Committee"** means the committee constituted by the Board of Directors of the Company in accordance with section 177 of the Act and Regulation 18 of the Listing Regulations.

**"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 Act and the Listing Regulations.

**Material Subsidiary** shall mean a subsidiary, whose income or net worth exceeds 10% (ten percent) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**Material Unlisted Indian Subsidiary** shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

**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 unlisted subsidiary for the immediately preceding accounting year.

"**Subsidiary**" shall be as defined under the Act and the rules made thereunder.

"**Unlisted Subsidiary**" means a subsidiary whose securities are not listed on any recognized Stock Exchanges.

**III. Identification of 'Material' Subsidiary**

A subsidiary shall be considered material if, its income or net worth exceeds 10 per cent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

**IV. Policy and 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 at the Board meeting of the Company at regular intervals.
- iii. The management of the unlisted subsidiary shall periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary Company.

The transaction/ arrangement shall be considered significant if it exceeds or 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.

- iv. At least one Independent Director of the Company shall be a director on the board of the unlisted material subsidiary whether incorporated in India or not.

Only for the purposes of this provision, notwithstanding anything to the contrary contained in Clause II and III above, the term "material subsidiary" shall mean a subsidiary, whose

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income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

- v. The Approval of shareholders of the Company by passing of a special resolution is required if the Company:
  - (a) The Company shall not dispose of shares in its material subsidiary, which would reduce 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 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.
  - (b) Selling, disposing 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 shall require prior approval of shareholders 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- vi. Every material unlisted subsidiary incorporated in India shall undertake a secretarial audit and the secretarial audit report shall be annexed with the annual report of the Company.

**Review and Amendment**

In case there are any modification(s) / amendment(s) / notification(s) / circulars(s), guidance note(s), informal guidance(s) issued by SEBI / MCA or judgements made by the Tribunal or any Court which has the effect of amendment in the Regulation(s) / Section(s) / Rule(s) made thereunder, the Chief Financial Officer and/or Company Secretary and/or Managing Director is/are authorized to make amendments in the Policy / Code as to the extent applicable. The amended

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Policy / Code shall be taken note by the Board of Directors / Committee in their ensuing Meeting(s).

Further, all the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 governing the said clause shall apply.

**Disclosure**

As prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

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