



## **POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

**Regd. Off:** UNIT NO. 1001, 10th Floor, NDM-2, WAZIRPUR DISTRICT CENTRE, NETAJI SUBHASH PLACE, PITAMPURA NEW DELHI 110034  
**CIN:** L18101DL2003PLC121698

## **INTRODUCTION**

The Securities and Exchange Board of India (“SEBI”) issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'LODR Regulations') on September 02, 2015, effective from December 01, 2015, with an aim to consolidate and streamline the provisions of listing agreements thereby ensuring better enforceability.

Regulation 16(1)(c) of the LODR Regulations requires every listed Company to formulate a Policy for determining material subsidiary.

Accordingly, the Board of the Directors of AVSL Industries Limited (the “Company”) had initially approved and adopted the “Policy for Determining Material Subsidiary” (“Policy”) of the Company.

Pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, this Policy is being revised to ensure conformity with the above amendments. Accordingly, the Board of Directors has approved and adopted this revised policy.

## **OBJECTIVE**

The purpose of this Policy is to determine Material Subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

This Policy is framed in accordance with the requirement of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof). The Company is required to disclose the policy on its website.

## **DEFINITIONS**

- a. “**Board**” means the Board of Directors of “AVSL INDUSTRIES LIMITED”.
- b. “**Company**” means “AVSL INDUSTRIES LIMITED”.
- c. “**Independent Directors**” 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 agreements with the Stock Exchanges.
- d. “**Audit Committee**” means the committee constituted by the Board of Directors of the Company, from time to time, in accordance with section 177 of the Companies Act 2013 and Regulation 18 of the LODR Regulations.
- e. “**Material Subsidiary**” shall have the meaning as defined in Regulation 16(1)(c) of the LODR Regulations, pursuant to which a material subsidiary means a subsidiary, whose income or net worth exceeds 10% (ten percent) of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

f. “**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.

G. “**Subsidiary**” means a Subsidiary as defined under the Act and Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the LODR, Securities Contract (Regulation) Act, 1956 and other application law or regulation.

H. “**Unlisted Subsidiary**” means subsidiary of the Company whose securities are not listed on any Stock Exchange(s) in India provided that where this term is defined (whether by way of definition, clarification or explanation) under the LODR Regulations, it shall have the meaning as per such definition.

All terms used in the policy, but not defined above shall have the meanings ascribed to them in the Act or the Regulations, as the case may be.

I. “**Policy**” means this Policy, as amended from time to time.

*Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the LODR, Securities Contract (Regulation) Act, 1956 and other application law or regulation.*

## **POLICY**

- At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of the unlisted material subsidiary, whether incorporated in India or not.

Explanation - For the purposes of this provision, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% (twenty percent) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.]

- The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company (including the unlisted material subsidiary).
- The minutes of the meetings of the Board of Directors of the unlisted subsidiary (including the unlisted material subsidiary) shall be placed at the meeting of the Board of Directors of the Company.

- 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 or arrangements entered into by the unlisted subsidiary (including the unlisted material subsidiary).

#### **REQUIREMENT REGARDING MATERIAL SUBSIDIARY**

The company without passing special resolution in its general meeting shall not:

- Dispose shares in its material subsidiary without reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or
- Dispose shares in the material subsidiary which would cease the exercise of control over subsidiary or
- Sell, dispose or lease the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a Financial Year, unless in cases where the divestment/sale/disposal/lease is made under a Scheme of Arrangement duly approved by Court/Tribunal.

#### **ADDITIONAL REQUIREMENT FOR MATERIAL NON-LISTED SUBSIDIARY**

At least one Independent Director on the Board of the Company shall be a Director on the Board of the material non-listed subsidiary company. For the purposes of this requirement, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.”

#### **REQUIREMENT REGARDING UNLISTED SUBSIDIARY COMPANY**

- The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Company.
- The Management 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.

## **AMENDMENTS**

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee. The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material subsidiary companies.

## **SCOPE AND LIMITATION**

In the event of any conflict between the provisions of this Policy and the LODR / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such LODR / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.