

ELDECO HOUSING AND INDUSTRIES LIMITED

POLICY ON MATERIAL SUBSIDIARIES

INTRODUCTION

In terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (including any amendments thereof), the Company is required to formulate a policy for determining 'material' subsidiaries. In compliance with the said requirement, the Board of Directors of Eldeco Housing and Industries Limited has adopted the following policy and procedure with regard to determination of and matters relating to Material Subsidiaries as defined below. The Board may review and amend this policy from time to time.

DEFINITIONS

"Act" means the Companies Act 2013 as may be amended from time to time

"Holding Company": Pursuant to Section 2(46) of the Act, Holding Company in relation to one or more other companies, means a Company of which such companies are subsidiaries companies.

"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 Companies Act, 2013 and the Listing Regulation.

"Material subsidiary" shall mean a subsidiary, whose income or net worth exceeds ten percent or such other percentage as prescribed by the Listing Regulations of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

"Subsidiary Company"/ "Subsidiary": Pursuant to Section 2(87) of the Act: Subsidiary or subsidiaries in relation to any other Company (that is to say the holding Company), mean a Company in which the holding Company

- i. Controls the composition of the Board of Directors The term "control 3" 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 shareholders agreements or voting agreements or in any other manner.
- ii. Exercise or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies: Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purpose of this definition:

- a. A Company shall be deemed to be a subsidiary company of the holding company even if the control referred to in clause (i) or (ii) above is of another subsidiary company of the holding company;

Eldeco Housing & Industries Ltd.

Effective from April 1, 2019

- b. The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- c. The expression "company" includes body corporate;

GUIDING PRINCIPLES

"Material Subsidiary" of the Company would be identified, if any, as one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of the Company.

GOVERNANCE FRAMEWORK

- At least one Independent Director of the Company shall be a director on the Board of an unlisted material subsidiary, whether incorporated in India or not. Explanation: With effect from April 1, 2019, the "material subsidiary" for this provision shall mean a subsidiary whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediate preceding accounting year.
- The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
- The minutes of the Meetings of the Board of Directors of the Unlisted Subsidiary shall be placed at the meeting of the Board of Directors of the Company.
- The management of the unlisted subsidiary company 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.

Explanation: The term "significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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.

- 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 such form as may be specified.

DISPOSAL OF MATERIAL SUBSIDIARY

The Company, without the approval or prior approval, as the case may be, of the members by Special Resolution, shall not:

- dispose of shares in material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50%, or ceases the exercise of control over the Subsidiary except in cases where such divestment 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;
- 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 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.

DISCLOSURES

The Policy for determining material subsidiaries shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.

DISCLAIMER

By reason of any change in the Act and/or Regulations which leads to any inconsistency or ambiguity or incongruity between the policy and the Act/Regulations, the amended Act/Regulations as issued by respective authorities shall prevail in this regard.
