



Policy on Material Subsidiaries

a. **Back ground of objective:**

The objective of the Policy is to determine the material subsidiary in accordance with the provisions of clause 49.V of the Equity Listing Agreement with the Stock Exchanges.

b. **Definitions:**

- i) “*Company*” means **Kesoram Industries Limited (KIL)**.
- ii) “*Subsidiary Company*” means Subsidiary(ies) of KIL.
- iii) “*Unlisted Subsidiary*” means subsidiary of KIL not listed at any Stock exchange in India.
- iv) “*Material subsidiary*” shall mean an unlisted subsidiary of KIL, incorporated in India, whose income or net worth (*i.e.* paid up capital and free reserves) exceeds 10% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.
- v) “*Policy*” means Policy on Material Subsidiary.
- vi) “*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.
- vii) “*Net Worth*” means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

c. **Policy and procedure :**

1. The Audit Committee shall also review the financial statements, in particular, the investments made by the Unlisted Subsidiary of the Company.

2. The minutes of the Board meetings of the Unlisted Subsidiary Company shall be placed at the Board meeting of the Company at regular intervals.
3. The Board shall be provided with a statement of all significant transactions and arrangements entered into by the Unlisted Subsidiary Company.
4. One Independent Director of the Company shall be a director on the board of the Material Unlisted Subsidiary. For the purposes of this provision, the term “material subsidiary” shall mean a unlisted subsidiary of KIL incorporated in India, 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.
5. The Company shall not dispose of its holding of shares in its ‘Material Subsidiary’, which would reduce its shareholding (either on its own or together with other Subsidiaries, if any) to less than or equal to 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.
6. Selling, disposing and leasing of assets amounting to more than twenty 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.
7. The Material Unlisted Subsidiary of KIL incorporated in India shall undertake Secretarial Audit and shall annex a Secretarial Audit Report given by a Company Secretary in Practice, in such form as specified, with the annual report of KIL.

d. Disclosures:

The Company shall disclose details of this Policy as required under the Act and the Listing Agreement. This Policy shall be disclosed on the Company’s website www.kesocorp.com and a web link thereto shall be provided in the Annual Report.

e. Limitation and Amendment :

In the event of any conflict between the provisions of this Policy and of the Act or Listing Agreement or any other statutory enactments, rules, the provisions of such Act or Listing Agreement or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Agreement, Act and/or applicable laws in this regard shall automatically apply to this Policy.