

# AVADH SUGAR & ENERGY LIMITED

## POLICY FOR DETERMINING MATERIAL SUBSIDIARY

### 1. Introduction

The Board of Directors (the “Board”) of Avadh Sugar & Energy Limited (the “Company”) has adopted the following policy and procedures with regard to determination of ‘Material Subsidiary’ as defined below. The Board may review and amend this policy from time to time. This Policy is in accordance with Regulation 16(1)(c) of the Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

### 2. Policy Objective

To determine the ‘material subsidiary’ of the Company and to provide the governance framework for such subsidiary/ies and other related matters.

### 3. Definitions

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of SEBI (LODR) Regulations, 2015 and The Companies Act, 2013 and rules made thereunder.

“**Board of Director**” or “**Board**” means the Board of Directors of Avadh Sugar & Energy Limited, as constituted from time to time.

“**Company**” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“**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’s for independence under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.

“**Policy**” means Policy for determining Material Subsidiary.

“**Material Subsidiary**” shall mean a Subsidiary, whose income or networth (i.e. paid up capital and free reserves) exceeds 20% of the Consolidated income or networth respectively, of the listed holding 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 material subsidiary for the immediately preceding accounting year.

“**Subsidiary**” shall be as defined under the Companies Act, 2013 and the Rules made thereunder.

#### 4. Policy

1. A subsidiary shall be a **Material Subsidiary**, if any of the following conditions are satisfied:
  - a. whose networth exceeds 20% of the consolidated networth of the Company and its subsidiary/ies as per the immediately preceding accounting year; or
  - b. Which have generated twenty per cent of the consolidated income of the Company and its subsidiary/ies in the immediately preceding accounting year.
2. One **Independent Director** of the Company shall be a director on the Board of the unlisted Material Company.
3. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on quarterly basis.
4. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company on quarterly basis.
5. The management shall on each quarter 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.
6. Based on the latest Financial Statements (including consolidated Financial Statements) of the Company, the Chief Financial Officer of the Company shall identify on annual basis as well as upon any change in the holding of the Company in any of the existing Subsidiary/ies or acquisition of a new Subsidiary, whether any of the Subsidiaries of the Company will be considered as Material Subsidiary as per the criteria prescribed.

The name of each Material Subsidiary identified in the manner mentioned above shall be reported to the Audit Committee and the Board of Directors of the Company alongwith the annual audited Financial Statements.

Further, in case of any change in the status of a Subsidiary during the year, the same should be reported to the Audit Committee and the Board in their meetings to be held following such change.

The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of Independent Director in the Material Subsidiary.

7. Futhermore, where a listed holding company has listed subsidiary which is itself a holding company, the above clauses of policy shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

## **5. Disposal of Material Subsidiary**

The Company, without the prior approval of the members by Special Resolution, shall not:

- a. dispose shares in Material Subsidiary/ies that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- b. ceases the exercise of control over the Subsidiary; or
- c. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year

Exception:

However, where a divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, the aforesaid restrictions shall not apply.

## **6. Disclosures**

The Policy for determining material subsidiaries is to be disclosed to the Stock Exchanges and in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company.

## **7. Amendment**

This Policy can be amended, modified, revised or abrogated by the Board of Directors of the Company from time to time.

## **8. Interpretation**

In any circumstance where the terms of this policy differ from any existing or newly enacted law, rule, Regulation or standard governing the Company, the law, rule, Regulation or standard will take precedence over these policies and procedures until such time as this policy is changed to conform to the law, rule, Regulation or standard.

***Approved, adopted and made effective by the Board at its meeting held on 30 March 2017***