

**ELECTROSTEEL CASTINGS
LIMITED**

Policy for determining Material Subsidiaries is to determine the “Material Subsidiary” of the Company and to provide the governance framework for such subsidiary(ies).

Policy for determining Material Subsidiaries

Effective Date: 01.04.2019

Approval Date: 29.01.2019

Version No.: 2.0

Approved By: Board of Directors

This document is confidential in nature and supersedes any Policy for determining Material Subsidiary existing in the Company and should be read in conjunction with the most recent policies and procedures documented.

Subject: Policy for determining Material Subsidiaries	Original Issue Date: 29.10.2014	Effective Date: 01.04.2019
	Revision Date: 29.01.2019	Version: 2.0
Governing Guidelines: The Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto		

TABLE OF CONTENTS

Sl. No.	Topic
1.	Introduction
2.	Objectives of the Policy
3.	Definitions
4.	Policy for determining the Material Subsidiaries
5.	Governance of Material Subsidiaries
6.	Amendments/Modifications
7.	Review of the Policy
8.	Disclosures

1. Introduction

The Board of Directors ('the Board') of Electrosteel Castings Limited ('the Company' or 'ECL'), at its meeting held on 29 October, 2014, had adopted the Policy on Material Subsidiaries of the Company to determine the 'Material Subsidiary' of the Company and to provide the governance framework for such subsidiary(ies). The said Policy is applicable to the Company with effect from 29 October 2014.

Since the approval and adoption of the aforesaid Policy, the Securities and Exchange Board of India (SEBI) has framed the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), which has been amended from time to time, including vide the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, notified vide Notification No. SEBI/LAD-NRO/GN/2018/10 dated 9 May 2018. The Board at its meeting held on 29 January 2019, has amended the Company's existing Policy on Material Subsidiaries to align it with the said recent changes in applicable laws.

This amended Policy shall be applicable to the Company with effect from 1 April 2019.

2. Objectives of the Policy

The objective of this Policy is to determine the 'Material subsidiary' of the Company and to provide the governance framework for such subsidiary(ies). The Policy is framed in accordance with the requirements of the Listing Regulations, as amended from time to time.

3. Definitions

- a) **"Audit Committee"** or **"Committee"** means "Audit Committee" constituted by the Board of Directors of the Company, from time to time under provisions of the Companies Act, 2013 and the Listing Regulations.

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- b) **“Independent Director”** means a Non-executive Director of the Company, other than a Managing Director or a Whole-time Director or a Nominee Director of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the Listing Regulations and amendments thereto.
- c) **“Material Subsidiary”** shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- d) **“Policy”** or **“this Policy”** means the Policy on determining Material Subsidiaries of the Company.
- e) **“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.
- f) **“Subsidiary”** or **“Subsidiaries”** shall be the Company as defined under Section 2(87) of the Companies Act, 2013 and the Rules made thereunder.

Words and expressions used and not defined in this Policy but defined in the Companies Act, 2013, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 or the Listing Regulations or any other securities law, rules or regulations shall have the meanings respectively assigned to them therein.

4. Policy for determining the Material Subsidiaries

A subsidiary of the Company shall be a **Material Subsidiary** for the Financial Year, if the income or net worth of the subsidiary exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

5. Governance of Material Subsidiaries

- a) At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of its unlisted material subsidiary, whether incorporated in India or not. For this purpose, “material subsidiary” 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 immediately preceding accounting year.
- b) The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.

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- c) The minutes of the Board meetings of the unlisted subsidiary shall be placed before the Board of Directors of the Company.
- d) 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.
- e) A material unlisted subsidiary, incorporated in India, of the Company shall undertake Secretarial Audit and shall annex with its Annual Report, a Secretarial Audit Report given by a Company Secretary in Practice.
- f) The Company shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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 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.
- g) 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.

6. Amendments/Modifications

In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013 or the Listing Regulations or any other statutory enactments or rules, such provisions or statutory enactments or rules shall prevail over this Policy. Further, in case of any subsequent amendment(s), clarification(s), circular(s), etc., issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc., shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

7. Review of the Policy

This Policy shall be subject to review as may be deemed necessary and to comply with any regulatory amendments or statutory modifications. Any amendment/

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changes in the Policy will be made by the Board of Directors or any Committees of the Board to whom the Board may delegate the authority to do so.

8. Disclosures

The Policy shall be uploaded on the website of the Company at www.electrosteelcastings.com. Further, the web link of the Policy for determining Material Subsidiaries is to be disclosed in the Annual Report of the Company, as per the provisions of laws in force.