

Effective: April 01, 2019
Supersedes: May 21, 2014

Policy for Determining the Material Subsidiary

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Dated:- 11-02-2019

Approved By:- Board of Directors

Name: -

Signature

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Policy for Determining the Material Subsidiary

1. Introduction:

This Policy shall be called 'Policy for determining Material Subsidiaries'.

2. Purpose and Scope:

2.1 The Policy for determining "material subsidiary" companies has been framed in accordance with the provisions of Regulation 16(1)(c) of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2.2 The Policy will be used to determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

3. Definitions

3.1 **Subsidiary:** As defined under Section 2(87) of the Act and the Rules made thereunder.

3.2 **Material non-listed Indian subsidiary** means a material subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges.

3.3 **Material subsidiary** means a subsidiary whose income or net worth exceeds 10 percent of the consolidated income or net worth respectively, of the listed entity and its subsidiary in the immediately preceding accounting year. Material Subsidiary includes a subsidiary incorporated outside India.

3.4 **Significant transaction or arrangement:** 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, as per its audited financial statements for the immediately preceding accounting year.

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4. Criteria for determining the Material subsidiaries:

4.1 A subsidiary shall be a Material Subsidiary for the financial year, if income or net worth of subsidiary exceeds 10 percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

5. Governance of Material Subsidiaries:

5.1 The management shall present to the Audit Committee annually a list of all subsidiaries including Material Subsidiary(s), if any.

5.2 The list of subsidiaries shall be prepared and placed before the Audit Committee at the first meeting held after the commencement of every financial year where financial statements of the previous financial year shall be approved.

5.3 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. For the purpose of this clause, 'Material Subsidiary' shall mean a subsidiary whose income or net worth exceeds 20 percent of the consolidated income or net worth respectively, of the listed entity and its subsidiary in the immediately preceding accounting year.

5.4 The Audit Committee of Board of the Company shall review the financial statements of the unlisted subsidiary.

5.5 The minutes of the Board Meetings of the unlisted subsidiary company shall be placed before the Board of the Company.

5.6 The management shall periodically bring to the attention of the Board of the Company, a statement of all significant transactions or arrangements entered into by the Unlisted Material Subsidiary.

5.7 The Company and its Material Subsidiary(s) incorporated in India shall undertake secretarial audit and annex with its annual report, the said secretarial audit report, given by a company secretary in practice, in such form as may be specified by the Securities Exchange Board of India.

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

- a) dispose the shares held in material subsidiaries which would reduce the Company's shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- b) ceases the exercise of control over the material subsidiary; or
- c) sell, dispose or lease of the assets amounting to more than 20% of the assets of the material subsidiary.

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5.9 In case of any conflict between the clause(s) of this Policy, Companies Act 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the provisions of Companies Act 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other statutory enactments shall prevail over this policy.

6. Amendments

This Policy may be amended by the Board at any time and is subject to the (i) amendments to the Companies Act, 2013 (the Act 2013) and (ii) further guidelines and enactments by the SEBI, including Listing Regulations.

7. Disclosures

The Policy for determining material subsidiaries shall be disclosed on the company's website www.piindustrieslimited.com and a web link thereto shall be provided in the Annual Report of the Company, as per the provisions of laws in force.