

**POLICY FOR DETERMINATION OF
MATERIAL SUBSIDIARIES**

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1. Introduction

The Securities and Exchange Board of India (“SEBI”) issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the ‘SEBI LODR Regulations, 2015’) on September 02, 2015, effective from December 01, 2015, with an aim to consolidate and streamline the provisions of listing agreements thereby ensuring better enforceability.

This policy is in pursuance to Regulation 16(1)(c) of the SEBI LODR Regulations, 2015, requires every listed Company to formulate a Policy for determining material subsidiary.

The Board of Directors of Penna Cement Industries Limited (“the Company”), on recommendation of the Audit Committee, has adopted this Policy on November 14, 2015 for determining the Material Subsidiary(ies).

2. Definitions

- 2.1 “Audit Committee” means the committee constituted by the Board of Directors of the Company, from time to time, in accordance with Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI LODR Regulations, 2015.
- 2.2 “Board” or “Board of Directors” shall mean the board of directors of the Company.
- 2.3 “Control” 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 shareholder agreements or voting agreements or in any other manner.
- 2.4 “Independent Director” shall mean an Independent Director of the Company who satisfies the criteria of Independence under the Companies Act, 2013 & LODR Regulations.
- 2.5 “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- 2.6 “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.
- 2.7 “Subsidiary” shall mean as defined under the Companies Act, 2013 and the Rules made thereunder.

2.8 “Unlisted Subsidiary” means subsidiary whose securities are not listed on any recognized Stock Exchange(s).

The words and phrases used in this Policy and not defined here shall derive their meaning from the Applicable Law.

3. Objectives:

The objective of this Policy is to determine:

- i. Meaning of Material Subsidiary;
- ii. Requirement of Independent Director in certain Material Unlisted Indian Subsidiaries;
- iii. Restriction on disposal of shares of Material Subsidiary by the Company;
- iv. Restriction on transfer of assets of Material Subsidiary; and
- v. Disclosure requirements, under the Listing Regulations and any other laws and regulations as may be applicable to the Company.

4. Significant Transactions / Arrangements of Unlisted Subsidiary Companies

The management should periodically bring to the attention of the Board a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary.

5. Governance Framework

- i. At least one Independent Director of the Company shall be a Director on the Board of the unlisted material subsidiary, incorporated in India.
- ii. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- iii. 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.
- iv. The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all significant transactions or arrangements entered into by the unlisted subsidiary.

6. Disposal of Material Subsidiary

The Company shall not dispose of shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other Subsidiaries) to less than fifty percent (50%) or cease the exercise of control over the subsidiary without passing a special resolution in a general meeting of its shareholders except in cases where such divestment is made under a scheme of arrangement duly approved by a court/tribunal.

7. Disposal of its assets of Material Subsidiary

Selling, disposing and leasing of assets amounting to more than twenty percent (20%) of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of special resolution unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a court/tribunal.

8. Disclosure of the Policy

The Company shall disclose this Policy on its website. The necessary disclosure, if any, about the policy will also be made as per the requirements of LODR Regulations and Companies Act 2013.

9. Amendments

The Board shall have the power to clarify any doubts or rectify any anomalies that may exist in connection with the effective execution of this Policy. The Board reserves the right to amend this Policy from time to time based on changing requirements as prescribed by SEBI/Stock Exchange(s) or any other appropriate Statutory Authority.

