



CG POWER AND INDUSTRIAL SOLUTIONS LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

A. PURPOSE

The Policy for determining 'material' subsidiary companies had been framed in accordance with the provisions of the erstwhile clause 49(V)(D) of the Listing Agreement and has been updated in accordance with Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This policy defines the materiality criteria for identifying CG's Material Subsidiaries. The Policy also articulates the special provisions as would apply to Material Subsidiaries.

B. DEFINITIONS

- (1) **"Audit Committee"** means the Risk and Audit Committee constituted by the Board of Directors of the Company;
- (2) **"CG"** or **"Company"** means CG Power and Industrial Solutions Limited;
- (3) **"CG Board"** means Board of Directors of the Company;
- (4) **"Material Subsidiary"** means a subsidiary of the Company determined in accordance with the terms of this policy;
- (5) **"Significant Transaction or Arrangement"** means any individual transaction or arrangement of the unlisted subsidiary that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities of CG, as the case may be, for the immediately preceding accounting year.
- (6) **Subsidiary Company or Subsidiary** means a subsidiary as defined under sub-section(87) of section 2 of the Companies Act, 2013;
- (7) **"Unlisted Subsidiary"** means Subsidiary whose securities are not listed on any recognized Stock Exchanges.

C. DETERMINATION OF MATERIAL SUBSIDIARIES

- (1) A subsidiary of the Company shall be considered Material if:
 - i. the networth of the subsidiary exceeds 20% of consolidated networth of CG and its subsidiaries as per the audited Financial Statement of the previous financial year; or





ii. the income of the subsidiary exceeds 20% of the consolidated income of CG and its subsidiaries as per the audited Financial Statement of the previous financial year.

(2) The Audit Committee of the Board shall at the start of every financial year and periodically (in case of new subsidiaries) determine and recommend to the Board for its approval, the subsidiaries of the Company which fall under the aforesaid prescribed criteria and shall be considered Material Subsidiary for the said financial year.

D. PROVISIONS APPLICABLE TO ALL UNLISTED SUBSIDIARIES

(1) CG's Audit Committee shall review the financial statements, in particular, the investments made by unlisted subsidiaries.

(2) The minutes of the Board meetings of unlisted subsidiaries shall be placed at the CG Board meeting.

(3) Any transaction between CG and its subsidiaries shall be entered into in accordance with Related Party Transaction Policy of the Company.

(4) A statement of all significant transactions and arrangements entered into by a Subsidiary Company shall be periodically brought to the attention of the CG Board.

(5) The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.

E. PROVISIONS RELATING TO MATERIAL SUBSIDIARIES

(1) At least one Independent Director of the CG Board shall be a director on the Board of the unlisted Material Subsidiary, incorporated in India.

(2) Prior approval of CG's Shareholders by way of a special resolution in its General meeting shall be obtained for disposing of shares in a Material Subsidiary, which would reduce CG's shareholding (either on its own or together with other subsidiaries) to less than 50% or lead to cessation of control over the material subsidiary except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.

(3) Prior approval of CG's Shareholders by way of a special resolution shall be obtained for selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary.





F. AMENDMENT AND APPROVALS

This Policy was framed and approved by the CG Board at its Meeting held on 16th October, 2014, upon recommendation by the Risk and Audit Committee at its Meeting held on 4th August, 2014.

Amendment to this Policy was approved by the CG Board at its Meeting held on 11th August, 2017, upon recommendation by the Risk and Audit Committee at its Meeting held on August, 2017.

In case of any subsequent changes in the provisions of the Companies Act, 2013, Rules made thereunder or the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other notification, circular, regulations (“Statutory Amendments”) which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations shall be binding even if not incorporated in this Policy and prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

The Audit Committee shall review the policy in line with the statutory amendments and amend the same, subject to approval of the Board, from time to time, as may be deemed necessary.

