
***Policy for determining
material subsidiary***
Compliance Department

October 2018

UGRO Capital Limited



Table of Contents

1	Introduction	3
2	Purpose	4
3	Definition	5
4	Material Subsidiary	6
5	Policy Requirement	7
6	Disposal of Material Subsidiary	8
7	Disclosure	9
8	Review of Policy	10

1 Introduction

The Board of Directors of UGRO Capital Limited (hereinafter referred to as ‘the Company’) has adopted the following policy with regard to the determination of material subsidiaries (hereinafter referred to as ‘the Policy’). The Policy has been prepared in terms of requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR, 2015”) and subsequent amendments thereto.

The Policy has been approved by the Board of Directors in the meeting dated 2 November 2018.

2 ***Purpose***

The purpose of the Policy is to determine the “material” subsidiaries of the Company and to provide the governance framework for such subsidiaries.

All the words and expressions used in the Policy, unless defined herein, shall have the meaning respectively assigned to them under the LODR and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the rules, notifications and circulars made/ issued there under, as amended from time to time.

3 *Definition*

1. “**Act**” means the Companies Act 2013 as may be amended from time to time.
2. “**Audit Committee**” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under the provisions of LODR, The Reserve Bank of India (RBI) Act, 1934 and/ or the Companies Act, 2013.
3. “**Board of Directors**” or “**Board**” means the Board of Directors of UGRO Capital Limited, as constituted from time to time.
4. “**Company**” means UGRO Capital Limited.
5. “**Consolidated Income or Net-worth**” means the total income or net-worth of the Company and its Subsidiaries.
6. “**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 for independence under Schedule IV of the Companies Act, 2013 and the LODR.
7. “**Significant transactions and arrangements**” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenue or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.
8. “**Subsidiary**” means a subsidiary as defined under the Act and Rules made there under. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, LODR, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

4 Material Subsidiary

As per clause 16 (c) of chapter IV of the LODR, 2015 and subsequent amendments thereto, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Thus, a subsidiary shall be a material subsidiary, if any of the following conditions are satisfied:

- In which the investment of the Company/ proposed investment, exceeds ten percent of its consolidated net worth as per the audited balance sheet of the previous financial year; or
- If the subsidiary has generated ten percent of the consolidated income of the Company during the previous financial year.

5 *Policy Requirement*

(For Unlisted Subsidiaries)

- At least one independent director on the board of directors of the listed entity, being the Company, shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India or not.

For the purpose of the above requirement, the term material subsidiary shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- The Company and its material unlisted subsidiary incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended 31 March 2019.
- The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- 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.
- 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 and arrangements entered into by the unlisted subsidiary.

6 *Disposal of Material Subsidiary*

In pursuance of paragraphs 5 and 6 of regulation 24 of LODR, 2015 and subsequent amendments thereto, 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.

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.

7 Disclosure

The Company shall disclose the Policy on the Company's website and a web link thereto shall be provided in the Corporate Governance section of the Annual Report.

8 *Review of Policy*

The Policy shall be subject to periodic review in accordance with any regulatory or statutory requirement, by the Board of the Company.

Any amendment or modification in the LODR and any other applicable regulation relating to Material Subsidiaries shall automatically be applicable to the Company. In the event of any conflict between the provisions of the Policy and the LODR/ Companies Act, 2013 or any other statutory enactments, rules, the provisions of such LODR/ Companies Act, 2013 or statutory enactments, rules shall prevail over the Policy.

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new policy, based on the recommendations of the Audit Committee.

