

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES
[Pursuant 16(1)© of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

1. Purpose

The purpose of this policy is determination of Material Subsidiaries and disclosure thereof. **As required under Regulation 16(1)© & 24 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof).**

2. Objective

The Objective of this policy is to determine:

- i) Meaning of ‘Material’ Subsidiary.
- ii) Requirement of Independent Director in certain Material Non Listed Indian Subsidiaries.
- iii) Restriction on disposal of shares of a Material Subsidiary by the Company.
- iv) Restriction on transfer of Assets of a Material Subsidiary and
- v) Disclosure requirements, based on Regulation 24 of **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015** any other laws and regulations as may be applicable to the Company.

3. Definitions

“**Company**” means HPL Electric & Power Limited

“**Control**” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or person acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder’s agreements or voting agreements or in any other manner.

“**Material Subsidiary**” is a subsidiary in which:

- a. Investment by the company exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year **OR**
- b. if the subsidiary has generated at least 20% of the consolidated income of the company during the previous financial year.

“**Material non-listed Indian Subsidiary**” is an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital & free reserves) exceeds 20% of the consolidated income or net worth respectively, of the company & its subsidiaries in the immediately preceding accounting year.

“**Significant Transaction or Arrangement**” is 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 material unlisted subsidiary for the immediately preceding accounting year.

“**Subsidiary**” shall mean a subsidiary as defined under the Companies Act, 2013 and rules made thereunder. Where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

Any other term not defined herein, shall have the same meaning ascribed to it, as defined under the Companies Act, 2013 and the Rules framed thereunder, the Listing Agreement, Act, Rules and

Regulations framed by the Securities Exchange Board of India or any other relevant legislation / regulation applicable to the Company.

4. Independent Director on the Board of a Material non-listed Indian subsidiary

- i) At least one Independent Director on the Board of the Company shall be a director on the Board of a material non-listed Indian Subsidiary.
- ii) The Company may also appoint Independent Director(s) on the Board of an overseas subsidiary company, if it may desire so.

5. Significant transactions/ arrangements of a Non Listed Material Subsidiary

The management should periodically bring to the attention of the Board of the Company, a Statement of all significant Transactions and Arrangements entered into by any Unlisted Material Subsidiary Company.

6. Review of financial statements by the Audit Committee

The Audit Committee of the company shall, inter-alia, review the financial statements, in particular, the investments made by the unlisted subsidiary company.

7. Restrictions on disposal of shares of a 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 50 % or cease the exercise of control over the subsidiary, without passing a special resolution in its general meeting (except in cases where divestment is under a scheme of arrangement, duly approved by the Court/Tribunal.)

8. Restriction on transfer of Assets of a Material Subsidiary

Selling, disposing and leasing of assets, amounting to more than 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 the Court/Tribunal.

9. Disclosures & Noting

This policy shall be disclosed on the Company's Website and a web link thereto shall be provided in the Annual Report of the Company.

A list of Material subsidiaries and Material Non Listed Indian Subsidiaries shall be presented to the Audit Committee annually for its noting.

10. Review of the policy

The policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.
