

**PANYAM CEMENTS & MINERAL  
INDUSTRIES LIMITED**

**POLICY ON MATERIAL SUBSIDIARIES**

## **INTRODUCTION:**

Under Regulation 16(1)(c) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”), Panyam Cements and Mineral Industries Limited (“the Company” / “PCMIL”) is obliged to formulate a policy for determining “Material Subsidiary” to comply with the applicable requirements of LODR. Accordingly, the Board of Directors of the Company (“the Board”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries. This Policy will be applicable with effect from the date of its adoption by the Board of Directors (“Board”) of PCMIL in terms of the above said Regulation to all transactions that the Company may enter into with its material subsidiaries, whether listed or not.

## **OBJECTIVE:**

To determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries. Besides determining the Material Subsidiaries and disclosure thereof as required under LODR and any other Laws and Regulations as may be applicable to the Company, the Policy on Material Subsidiaries (this “Policy”) intends to ensure governance of Material Subsidiaries by complying with Directorship requirements, review of financial statements, bringing to the attention of the Board certain transactions or arrangements, rules regarding disinvestment of shares held by the Company and restrictions on selling or disposing or leasing of assets of such Subsidiaries by the Company.

## **DEFINITIONS:**

Audit Committee

Audit Committee is a Committee constituted by the Board of Director of the Company from time to time under provisions of LODR and the Companies Act, 2013.

Board of Directors or Board

Board of Directors means the Board of Directors of the Company as constituted from time to time.

Consolidated Income

“Consolidated Income” means the total income of the Company and its Subsidiaries

Holding Company

“Holding Company” in relation to one or more other companies, means a company of which such companies are Subsidiary companies.

### Independent Director

“Independent Director” means a Director of the Company, not being a whole time Director, who is neither a promoter nor belongs to the promoter group of PCMIL and who satisfies other criteria for independence as laid down under Schedule IV of the Companies Act, 2013 and LODR.

### Material Subsidiary

“Material Subsidiary” shall mean an Subsidiary, whether listed or not, whose income or Net Worth (as defined in Section 2(57) of the Companies Act, 2013) exceeds 20% of the consolidated income or Net Worth respectively of PCMIL and its subsidiaries in the immediately preceding accounting year.

### Material Related Party Transactions

A transaction with a related party shall be considered Material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of PCMIL as per the last audited financial statements of the company.

### Net Worth

“Net Worth” shall mean the net worth as defined in sub-section (57) of Section 2 of the Companies Act, 2013.

### Significant Transaction or Arrangement

“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 un-listed material subsidiary for the immediately preceding accounting year

### Subsidiary

“Subsidiary” shall be as defined under the Companies Act, 2013 and the Rules made thereunder.

## **GUIDING PRINCIPLES:**

### Identification of "Material Subsidiary" of the Company

Identification of material subsidiaries shall be a one-time exercise and such exercise shall be done during each financial year and the conclusion thereof shall be placed before the Audit Committee and the Board of the Company.

## **PROVISIONS WITH REGARD TO MATERIAL SUBSIDIARY COMPANIES**

The Chief Financial Officer of the Company will be responsible for monitoring and determining which of the Subsidiaries of the Company falls within the definition of Material Subsidiary.

Monitoring of investments made by the Company in the Subsidiaries for the purpose of determining the Materiality of the Subsidiary shall be done whenever such an investment is made. Likewise, monitoring the quantum of generation of consolidated income of the Company will be done at the time of finalizing the consolidated annual accounts of the Company.

## **RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY BY THE COMPANY**

The Company shall not dispose shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other Subsidiaries, if any) to less than 50% or cease the exercise of control over the said material subsidiary, without passing a special resolution in its General Meeting except in cases where such disinvestment is made under a scheme of arrangement duly approved by a Court or Tribunal.

## **RESTRICTION ON DISPOSAL OF ASSETS OF MATERIAL SUBSIDIARY**

The Company shall not sell, dispose and lease assets amounting to more than 20 % of the assets of the Material Subsidiary on an aggregate basis during a financial year without prior approval of the shareholders by way of passing special resolution in its General Meeting, unless the sale or disposal or lease is made under a scheme of arrangement duly approved by Court or Tribunal.

## **COMPLIANCE BY STEP DOWN SUBSIDIARIES**

Where the Company has a listed Subsidiary which is itself a Holding Company, this Policy shall apply to the said listed Subsidiary insofar as its own Subsidiaries are concerned.

## **DISCLOSURES**

This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

## **AMENDMENT OR REVIEW**

While the Board reserves the right to amend, modify or review this Policy in whole or in part at any point of time, as may be deemed necessary, in case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. issued by the said relevant authorities shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down by the said relevant authorities in their amendment (s), clarification (s), circular (s) etc.

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