



KNR CONSTRUCTIONS LIMITED

POLICY ON MATERIAL SUBSIDIARIES

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1. TITLE

This Policy on Material Subsidiaries shall be called KNR Constructions Limited - Policy on Material Subsidiaries.

2. SCOPE

This Policy is framed, in accordance with the requirement of revised Clause 49 of the Listing Agreement (including any statutory enactments/amendments thereof) intended to ensure governance of material subsidiary companies and is in force with immediate effect.

3. DEFINITIONS

“Policy” means Policy on Material Subsidiaries.

“Company” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“Board of Directors” or “Board” means the Board of Directors of KNR Constructions Limited, as constituted from time to time.

“Audit Committee or Committee” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Agreement with the Stock Exchanges and the Companies Act, 2013.

“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 the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.

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

Consolidated Income or Net worth means the total income or net worth of the Company and its subsidiaries.

Material non-listed Indian subsidiary means a material subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges.

Material subsidiary includes a subsidiary incorporated outside India.

Significant transactions and arrangements shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenue 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.

4. CRITERIA FOR DETERMINING THE MATERIAL SUBSIDIARIES

- 4.1 A subsidiary shall be a Material Subsidiary for the financial year, if any of the following conditions are satisfied:
- a. Investment of the Company in the subsidiary exceeds 20% of its consolidated net worth; or**
 - b. the subsidiary has generated 20% of the consolidated income of the Company during the financial year.**

Net worth or Income, as the case may be, shall be as per the audited balance sheet of the previous financial year.

- 4.2 The Audit Committee to annually review the list of subsidiaries together with the details of the materiality defined herein, before 30th September of every year.

5. GOVERNANCE OF MATERIAL SUBSIDIARIES

- 5.1. At least one Independent Director of the Company shall be a director on the Board of the material non-listed Indian subsidiary company.
- 5.2. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company on a quarterly basis.
- 5.3. The minutes of the Board Meetings of the unlisted subsidiary company be placed before the Board of the Company on a quarterly basis.
- 5.4. Board of Directors of the Company review all significant transactions and arrangements entered into by the unlisted subsidiary company on a quarterly basis.
- 5.5. The Company, without the prior approval of the members by Special Resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal, shall not:
- a. dispose the shares held in material subsidiaries which would reduce the Company's shareholding (either on its own or together with other subsidiaries) to less than 50%; or
 - b. ceases the exercise of control over the material subsidiary; or
 - c. sell, dispose or lease of the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year
- 5.6. Any loan made by the Company to its wholly owned subsidiary shall be utilised by the subsidiary company for its principle business activities.

- 5.7. Any loan made by bank or financial institution to the subsidiary company, for which guarantee or the security was provided by the Company, such loan shall be utilised by the subsidiary company for its principle business activities.
- 5.8. No loan shall be given by the Company to its subsidiary company at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan.
- 5.9. If conflict between two regulations viz., the Companies Act 2013 and SEBI regulations are irreconcilably inconsistent, the stricter one shall prevail.

6. AMENDMENTS

This Policy may be amended by the board at any time and is subject to the (i) Amendments to the Companies Act, 2013 and (ii) further guidelines and enactments by the SEBI, including Listing Agreement.

7. DISCLOSURES

The Policy for determining material subsidiaries is to be disclosed in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at <http://www.knrcl.com/>