

POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES

1. Purpose and objective

This policy has been framed in accordance with the provisions of amended Clause 49 of the listing agreement for determining 'material' subsidiaries of Tecpro Systems Limited ("Company"), to be effective from 1st October, 2014 and is intended to ensure governance of such material subsidiary companies.

2. Definitions

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Act.

"Board" means Board of Directors of the Company.

"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, as amended from time to time.

"Policy" means Policy on Material Subsidiary.

"Significant transaction or arrangement" means 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 be as defined under the Companies Act, 2013 and the Rules made thereunder, as amended from time to time.

3. Identification of 'Material' subsidiary

A subsidiary shall be considered as 'Material' if –

- a. The investment of the Company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year; or
- b. if the subsidiary has generated twenty per cent of the consolidated income of the Company during the previous financial year

The term "material non-listed Indian subsidiary" shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid-up capital and free reserves) exceed 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

4. Governance framework

- (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 company.
- (ii) The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- (iii) The minutes of the Board meetings of the unlisted subsidiary company shall be placed before the Board of the Company periodically.
- (iv) The management shall periodically bring to the attention of the Board of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.
- (v) 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.

5. Disposal of 'Material' subsidiary

The Company shall not without the prior approval of the shareholders by way of special resolution –

- (i) 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; or
- (ii) sell, dispose and lease the assets amounting to more than twenty per cent of the assets of the material subsidiary on an aggregate basis during a financial year except in cases where the disposal of shares/assets is made under a scheme of arrangement duly approved by a Court/Tribunal.

6. Review/Revision of the Policy

This Policy has been approved and adopted by the Board of the Company. The Audit Committee will review this policy annually or as and when felt appropriate by it, and recommend the changes/revisions, if any, to the Board for consideration and approval.

In case of any modification(s), amendment(s), clarification(s), circular(s), re-enactment etc. issued by the relevant statutory authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.