

**NORTHERN ARC CAPITAL LIMITED  
POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

## **1. Introduction**

The Board of Directors (“the Board”) of Northern Arc Capital Limited (“the Company”) is obliged to formulate a Policy for determining Material Subsidiaries (the “Policy”) to comply with the requirements of Regulation 16(1)(c) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

## **2. Objective**

**The objective of this policy is to determine:-**

- a) Meaning of material subsidiary;
- b) Requirement of appointing an Independent Director of the Company, in the Boards of certain unlisted material subsidiaries;
- c) Restriction on disposal of shares of a Material Subsidiary by the Company;
- d) Restriction on Sale / disposing / leasing of assets of a Material Subsidiary; and
- e) Disclosure requirements, based on the Listing Regulations and any other laws and regulations as may be applicable to the Company.

## **3. Definitions**

- a) "Audit Committee" means committee constituted by the Board of Directors of the Company, from time to time, under the provisions of Section 177 of the Companies Act, 2013 and the SEBI Listing Regulations.
- b) "Board of Directors" or “Board” means the Board of Directors of Northern Arc Capital Limited, as constituted from time to time.
- c) "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 specified under the provisions of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI Listing Regulations.
- d) "Holding Company" in relation to one or more other companies means a company of which such companies are subsidiary companies.
- e) "Subsidiary Company" in relation to any other company (that is to say the holding company), means a company in which the holding company-
  - i) Controls the composition of the Board of Directors; or
  - ii) Exercises or controls more than one half of the total voting power either at its own or together with one or more of its subsidiary companies;

**Explanation-For the purpose of this definition-**

- i. A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in clause (i) or (ii) above is of another subsidiary company of the holding company;
  - ii. The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
  - iii. The expression "company" includes anybody corporate.
- f) "Material Subsidiary" – A subsidiary shall be considered as Material if its Turnover or net worth exceeds 10% of the consolidated Turnover or net worth respectively, of the Company and its subsidiaries as per the audited balance sheet of the Company in the immediately preceding financial year.
- g) "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 unlisted subsidiary for the immediately preceding financial year.
- h) "Control" shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

**Provisions with regard to Subsidiary Companies**

- One Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of its unlisted material subsidiary Company, irrespective of whether incorporated in India or not. For the purpose of this requirement, a material subsidiary shall mean a subsidiary, whose Turnover or net worth exceeds twenty percent of the consolidated Turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year. 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 including recommendation for appointment of Independent Director in the material unlisted Subsidiary.
- The Audit Committee of the Company shall review the financial statements, in particular the investments made by its Unlisted Subsidiary Company.
- The minutes of the Board meetings of the Unlisted Subsidiary Company shall be placed at the Board meeting of the company.
- The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant transactions or arrangements entered into by its Unlisted Subsidiary Company.

The Company and its unlisted Material unlisted Subsidiaries incorporated in India shall undertake secretarial audit by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary and shall annex a secretarial audit report, in such form as specified, with the annual report of the listed entity..

### **Disposal of Subsidiary**

The Company, without the prior approval of the members by Special Resolution as prescribed under the Listing Regulations, shall not:

- a) Dispose shares in the Material Subsidiary that reduces its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50%; or
- b) Ceases the exercise of control over the Subsidiary; or
- c) Sell, dispose of or leasing of the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during an accounting year;

However, the requirement of obtaining shareholders' approval by way of Special resolution is not required in cases where such divestment, sale, disposal, lease as the case may be is made:

- (i) under a scheme of arrangement duly approved by the Court / Tribunal or
- (ii) under a resolution plan duly approved under section 31 of the Insolvency and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- (iii) if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the listed entity.

### **Disclosure**

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

### **Amendment to Policy**

The Board shall have the power, subject to applicable laws, to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. The Company Secretary, being the Compliance Officer is also authorized to make amendment in this policy, where there are any statutory changes necessitating the amendment in the policy.

The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

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