



POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. Preamble

- 1.1. This Policy for Determining Material Subsidiaries (“Policy”) is formulated in pursuance of the requirements of Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) to determine the Material Subsidiary of Garden Reach Shipbuilders & Engineers Limited (“Company”) and to provide a governance mechanism for such subsidiaries.
- 1.2. The policy shall come into effect from the date of approval of the Board of Directors.¹

2. Definitions

- 2.1. “**Material Subsidiary**” mean a Subsidiary Company, whose income or Net worth exceeds ten percent of the consolidated income or Net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- 2.2. “**Net worth**” means net worth as defined in Section 2(57) of the Companies Act, 2013.
- 2.3. “**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 an unlisted subsidiary for the immediately preceding accounting year.
- 2.4. “**Subsidiary Company**” means a subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

3. Policy and Procedure

- 3.1 The Company, shall not, without the prior approval of the members by Special Resolution in the General Meeting, dispose of shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other Subsidiaries) to less or equal to 50% or cease the exercise of control over the Subsidiary except in cases where such divestment is made under a scheme of arrangement duly approved by a Court / Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed

¹ Approved by the Board of Directors on 28 Feb 18. Further, the Policy was amended by the Board of Directors on 21 Jul 20 and 26 Jul 21.



to the recognized stock exchanges within one day of the resolution plan being approved.

- 3.2 The Company, shall not, without the prior approval of the members by Special Resolution, sell, dispose and lease the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year unless the sale / disposal / lease is made under a scheme of arrangement duly approved by a Court / Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- 3.3 At least one Independent Director of the Company shall be a Director on the Board of an unlisted Material Subsidiary of the Company, whether incorporated in India or not.

Explanation - For the purposes of this clause, notwithstanding anything to the contrary contained in regulation 16 of SEBI Listing Regulations, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- 3.4 The management of the unlisted Subsidiary shall periodically bring to the notice of the Board of the Company, all Significant Transactions or Arrangement entered into by the unlisted Subsidiary.
- 3.5 The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary on an annual basis.
- 3.6 The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed before the Board of Directors on periodical basis.
- 3.7 Every material unlisted subsidiary incorporated in India of the Company shall undertake secretarial audit and shall annex, a secretarial audit report, given by a company secretary in practice, in such form as may be specified, with the annual report of the listed entity.
- 3.8 The Company shall disclose all events or information with respect to subsidiaries which are material for the company.
- 3.9 Where a company has a listed subsidiary, which is itself a holding company, the provisions of this policy shall apply to the listed subsidiary in so far as its subsidiaries are concerned.



4. Interpretation & Amendment

- 4.1 Any word used in this Policy, but not defined herein, shall have the same meaning as defined under the Companies Act, 2013, SEBI Listing Regulations and/or any other applicable statutory regulations.
- 4.2 The Board of Directors may review and amend this Policy as may be required from time to time in accordance with the provisions of applicable statutes and any subsequent amendments, circulars, notifications, guidelines in the Companies Act, 2013, SEBI Listing Regulations and other applicable laws, as may be issued from time to time, shall *mutatis mutandis* apply to this Policy.
