



H.G. INFRA ENGINEERING LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

1. **Introduction**

This Policy for determining material subsidiary (the “Policy”) has been framed and adopted by H.G. Infra Engineering Limited (the “Company” or “HGIEL”) in terms of Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 (the “Listing Regulations”).

2. **Objective**

The Policy will be used to determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

3. **Definitions**

- (a) “**Act**” means the Companies Act, 2013 and rule made thereunder;
- (b) “**Board**” or “**Board of Directors**” means the Board of Directors of the Company as defined under Section 2(10) of the Companies Act, 2013;
- (c) “**Audit Committee**” means the Committee constituted by the Board under Section 177(1) of the Act and Regulation 18(1) of the Listing Regulations;
- (d) “**Independent Director**” means Independent Directors of the Company as defined in Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations;
- (e) “**Subsidiary Company**” or “**Subsidiary**” means any other company in which the 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;
- (f) “**Significant Transaction or Arrangement**” means any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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 accounting year;
- (g) “**Stock Exchanges**” means the recognized stock exchanges where securities of the Company are listed i.e., BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

Any other term not defined herein shall have the same meaning as defined in the Act, Listing Regulations or any other applicable laws or regulations and amendments thereto.

4. **Identification of ‘Material’ subsidiary**

A subsidiary shall be considered material if, its income or net worth exceeds 10 per cent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

5. **Governance framework**

- (a) Appointment of Independent director: As required under Regulation 24 of the Listing Regulations, at least one Independent Director on the Board of the Company shall be a director on the board of the Unlisted Material Subsidiary, whether incorporated in India or not.

For the purposes of this provision, notwithstanding anything to the contrary contained in Clause 4 above, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20 percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

- (b) **Restriction on disposal of shares:** The Company shall not dispose off shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50 percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in such cases where divestment is under a scheme of arrangement duly approved by a court/tribunal, or under a resolution plan duly approved under Section 31 of the Insolvency and Bankruptcy Code, 2016 (‘Insolvency Code’) and such an event is disclosed to the stock exchanges within one day of the resolution plan being approved.
- (c) **Restriction on disposal of assets:** Selling, disposing and leasing of assets amounting to more than 20 percent of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of special resolution, 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 stock exchanges within one day of the resolution plan being approved.
- (d) **Significant Transactions / Arrangements:** The management of the unlisted subsidiary should periodically bring to the attention of the Board a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company.
- (e) **Financial Statements:** The Audit Committee of the Company shall periodically review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- (f) **Minutes:** The minutes of the Board Meetings of the unlisted subsidiary companies of the Company shall be placed before the Board of Directors the Company.
- (g) **Secretarial Audit:** Every material unlisted subsidiary incorporated in India shall undertake secretarial audit and the secretarial audit report shall be annexed with the annual report of the Company.

6. Disclosure

This Policy shall be disclosed on the Company’s website www.hginfra.com

7. Review and amendments in the Policy

The Board reserves the right to amend or modify this Policy in whole or in part, at any time.

In case there are any inconsistency between any of the provisions of this Policy and applicable law, the applicable law shall prevail and any subsequent amendment/modification in applicable laws in this regard shall automatically apply to this Policy and this Policy shall be deemed to have been amended accordingly.

Effective Date: 09/11/2022

Date of the approval by the Board: 09/11/2022

Version: 03

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Chairman's Signature

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