

## **POLICY ON MATERIAL SUBSIDIARIES AND GOVERNANCE OF SUBSIDIARIES**

**[Approved by the Board on 14.02.2019]**

### **1. OBJECTIVE**

**1.1** The objective of this policy is to lay down criteria for identification and dealing with material subsidiaries and to formulate a governance framework for subsidiaries of Modulex Construction Technologies Limited (“MCTL” or “the Company”).

### **2. DEFINITIONS**

#### **2.1 Subsidiary:**

A Company in which MCTL controls the composition of the Board of Directors or exercises or controls more than fifty percent of the total share capital of the Company, either directly or through one or more subsidiaries, shall be treated as a Subsidiary of MCTL.

#### **2.2 Material Subsidiary:**

A Subsidiary Company shall be treated Material if:

- a) the investment in the Subsidiary exceeds twenty percent of the consolidated net worth of MCTL as per audited balance sheet of the previous financial year; or
- b) the Subsidiary has generated twenty percent of the consolidated income of MCTL during the previous financial year.

#### **2.3 Significant transactions or arrangements:**

Significant transactions or arrangements 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 Material unlisted Subsidiary for the immediately preceding accounting year.

### **3. GOVERNANCE FRAMEWORK**

#### **3.1 All Subsidiaries:**

- a) minutes of the Board meetings of all Subsidiary Companies shall be placed before the Board of Directors of MCTL on quarterly basis;
- b) a statement of all significant transactions and arrangements entered into by the Subsidiary Companies during the quarter shall be brought to the attention of the Board of Directors of MCTL on quarterly basis;
- c) the Audit Committee of MCTL shall review the financial statements, in particular, the investments made by the unlisted Subsidiary Company on an annual basis;

d) any transaction between MCTL and its Subsidiary Company shall be entered into in accordance with Related Party Transaction Policy of the Company.

**3.2 Material Subsidiaries:**

- a) the list of Material Subsidiaries shall be placed before the Audit Committee of MCTL on an annual basis;
- b) at least one Independent Director on the Board of MCTL shall be appointed as a Director on the Board of material unlisted Indian Subsidiary Company;
- c) any proposal for disposal of shares in Material Subsidiary, such that the shareholding in the Company may reduce to less than fifty percent or MCTL would cease to exercise control over the entity, shall be subject to prior approval of shareholders of MCTL;
- d) any proposal for selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the Material Subsidiary shall be subject to prior approval of shareholders by way of special resolution

**4. RESPONSIBILITY:**

The Company Secretary shall be responsible for ensuring the compliance of this Policy. A list of Material Subsidiary shall be maintained by the Company Secretary and the same shall be placed before the Audit Committee on an annual basis. The Audit Committee shall review the list of Material Subsidiary and make suitable recommendations, including recommendation for appointment of Independent Director on the Board of Material Subsidiary.