



POLICY ON DETERMINING MATERIAL SUBSIDIARIES



KLJ RESOURCES LIMITED

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CIN: L67120WB1986PLC041487



PURPOSE AND SCOPE

The Policy for determining ‘material’ subsidiary companies had been framed in accordance with Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy will be used to determine the material subsidiaries of KLJ Resources Limited (referred to as “KRL” or “the Company”) and to provide the governance framework for such subsidiaries. All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the SEBI Regulations and Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

DEFINITIONS

“Audit Committee” means the committee formed under Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors as defined in Section 2(10) of the Companies Act, 2013.

“Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

“Significant Transaction or Arrangement” —Significant transaction or arrangement shall mean 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.

“Subsidiary Company” means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

IDENTIFICATION OF ‘MATERIAL’ SUBSIDIARY

A subsidiary shall be considered as material if :



- a. the net worth of the subsidiary, exceeds 20 per cent of the consolidated net worth of KRL and its subsidiaries in the immediately preceding accounting year or,
- b. if the income of the subsidiary exceeds 20 per cent of the consolidated income of KRL and its subsidiaries in the immediately preceding accounting year.

PROCEDURE AND POLICY

The unlisted subsidiaries (including material subsidiaries) shall comply with the following specific provisions as per SEBI Regulations:

- At least one Independent Director of KRL shall be a Director on the Board of Directors of an unlisted material subsidiary, whether incorporated in India or not.
- The Audit Committee of KRL shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed before the Board of KRL on periodical basis.
- The management of the unlisted subsidiary shall periodically bring to the attention of the Board of Directors of KRL, a statement of all significant transactions and arrangements entered into by the unlisted Subsidiary.
- KRL shall not, without the prior approval of the members by special resolution in its General Meeting, dispose of shares in its material subsidiary, if any which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or cease the exercise of control over the Subsidiary except 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 to the recognized stock exchanges within one day of the resolution plan being approved.
- KRL shall not, without the prior approval of the members by special resolution, sell, dispose-off or lease the assets amounting to more than 20% of the assets of the Material Subsidiary, if any on an aggregate basis during a financial year, unless the



same 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.

DISCLOSURES

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

POLICY REVIEW

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.