



MANGALORE REFINERY AND PETROCHEMICALS LIMITED
(CIN: L23209KA1988GOI008959)

MATERIAL SUBSIDIARY POLICY

1.0 INTRODUCTION:

Material Subsidiary Policy has been framed for determining ‘Material Subsidiaries’ and to regulate the transaction, so that the same can be disclosed on the company's website and a web link thereto provided in the Annual Report of the Company. This policy is meant to ascertain the status of its own subsidiaries as well subsidiaries of subsidiaries, at the end of every Financial Year whether they are falling under the category of Material Subsidiary or not.

Material Subsidiary Policy was approved by the Board at its 197th meeting held on 22nd May, 2015.

This Policy has been framed with a view to comply with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, DPE guidelines and Companies Act, 2013.

2.0 DEFINITIONS:

I. “**Act**” means Companies Act, 2013 & Rules made there under.

II. “**Holding Company**” in relation to one or more other companies, means a company of which such companies are subsidiary companies.

III. “**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 share capital either at its own or together with one or more of its subsidiary companies;

Explanation- For the purpose of this definition,

- a. A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or (ii) above is of another subsidiary company of the holding company;
 - b. 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;
 - c. The expression "company" includes anybody corporate;
 - d. "layer" in relation to a holding company means its subsidiary or subsidiaries;
- IV. **"Material subsidiary"** means a subsidiary, whose income or net worth exceeds twenty per cent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- V. **"Material non-listed Indian subsidiary"** means an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital & free reserves) exceeds twenty per cent of the consolidated income or net worth respectively, of the listed holding company & its subsidiaries in the immediately preceding accounting year.
- VI. **"Significant transaction or arrangement"** means any individual transaction or arrangement including transactions with related parties with subsidiary company whether material or not that amounts or likely to amount ten per cent or more 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.

3.0 CORPORATE GOVERNANCE REQUIREMENTS WITH RESPECT TO SUBSIDIARY OF LISTED ENTITY:

- i. At least one independent director on the Board of Directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India.
- ii. The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- iii. The minutes of the meeting of the board of directors of the unlisted subsidiary shall be placed at the meeting of the Board of Directors of the listed entity.

- iv. The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.
- v. A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court / Tribunal.
- vi. Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale / disposal / lease is made under a scheme of arrangement duly approved by a Court / Tribunal.
- vii. Where a listed entity has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

4.0 DETERMINING FACTORS OF MATERIALITY:

The following are the criteria to decide the subsidiary as Material Subsidiary-

If income or net worth of MRPL in any of the subsidiary exceeds twenty per cent of the consolidated income or net worth in the immediately preceding financial year.

5.0 FREQUENCY OF MATERIALITY TEST:

The materiality test shall be applied every Financial Year considering the determining factors mentioned at Para 4.0 or any subsequent amendment thereof due to change in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013 or Accounting Standards after declaration of annual audited financial statements and adequate disclosure shall be made in Board's Report.

6.0 AMENDMENT:

The Board of Directors may review or amend this policy, in whole or in part, from time to time as per the requirement of the Act, SEBI Listing Regulations, 2015, DEP Guidelines or any other statute.

7.0 INTERPRETATION:

Any word used in this policy but not defined herein shall have same meaning as defined in the Companies Act 2013 or Rules made there-under, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other relevant legislation / law applicable to the Company.

8.0 EFFECTIVE DATE:

The amended policy shall be effective after the approval of the Board.

9.0 DISCLAIMER:

This policy is subject to the extant provisions of the Companies Act, 2013, rules made there under, circulars issued by Ministry of Corporate Affairs from time to time, DPE Guidelines, circulars issued by DPE and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.