



# **ICRA Limited**

# **Policy on Material Subsidiary**



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## 1. SCOPE AND PURPOSE OF THE POLICY

Regulations 16 (1) (c) and 46 (2) (h) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) require the Company to formulate a policy for determining “Material” Subsidiaries and to disclose such policy on the Company's website, and as per regulation 34(3) read with Part C (10)(e) of Schedule V of the Listing Regulations, a web link thereto shall be provided in the Company’s Annual Report. Considering the requirements of the Listing Regulations, ICRA Limited (the “**Company**”) has formulated the following policy and procedures for determining “Material” Subsidiaries.

## 2. OBJECTIVE OF THE POLICY

The objective of this Policy is to fix the threshold for determining “Material” Subsidiaries of the Company and to provide the governance framework for such Subsidiaries.

## 3. DEFINITIONS

“**Audit Committee**” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under Section 177 of the Companies Act, 2013 (“**Act**”) and the Listing Regulations.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**Independent Director**” means an independent director of the Company appointed in accordance with the Act.

“**Policy**” means this Policy on Material Subsidiary.

“**Subsidiary**” shall mean a subsidiary as defined under the Act.

Unless otherwise defined in this Policy, capitalized terms used in this Policy shall have the meaning assigned to them in the Act or the Listing Regulations.

## 4. THRESHOLD FOR DETERMINING ‘MATERIAL’ SUBSIDIARIES

A Subsidiary of the Company shall be a Material Subsidiary if the turnover or net worth of the Subsidiary exceeds ten percent of the consolidated turnover or net worth, respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

## 5. GOVERNANCE FRAMEWORK



- (1) At least one Independent Director on the Board of the Company shall be a director on the board of directors of its unlisted Material Subsidiary, whether such Material Subsidiary is incorporated in India or not.

Explanation: for the purpose of above clause, notwithstanding anything to the contrary contained in regulation 16 of the Listing Regulations, the term “Material Subsidiary” shall mean a Subsidiary, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth, respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

- (2) The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted Subsidiary, including Material Subsidiary.
- (3) The minutes of the Board meetings of the unlisted Subsidiary, including Material Subsidiary shall be placed at the Board meeting of the Company.
- (4) The management should, on a quarterly basis, bring to the attention of the Board of Directors of the Company a statement of all significant transactions and arrangements entered into by the unlisted Subsidiary, including Material Subsidiary.

Explanation: the term “**significant transaction or arrangement**” 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 unlisted Subsidiary, including Material Subsidiary, for the immediately preceding accounting year.

- (5) The Material Subsidiary incorporated in India shall undertake secretarial audit and shall annex with its annual report a secretarial audit report given by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary.

Explanation:

- (i) “Secretarial Auditor” means a Company Secretary in Practice or a firm of Company Secretary(ies) in practice appointed to conduct the Secretarial Audit.
  - (ii) “Peer Reviewed Company Secretary” means a Company Secretary in practice, who is either practicing individually or as a sole proprietor or as a partner of a Peer Reviewed Practice Unit, holding a valid certificate of peer review issued by the Institute of Company Secretaries of India.
- (6) The Material Subsidiary shall ensure compliance with the conditions specified in Securities and Exchange Board of India (“SEBI”) circular CIR/CFD/CMD1/114/2019 dated October 18, 2019 while appointing/re-appointing statutory auditor and in case of statutory auditor’s resignation.



## **6. DISPOSAL OF MATERIAL SUBSIDIARY**

### **a. Restriction on disposal of shares of Material Subsidiary**

In terms of regulation 24 (5) of the Listing Regulations, the Company shall not dispose of 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% 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, 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.

### **b. Restriction on disposal of assets of Material Subsidiary**

In terms of regulation 24 (6) of the Listing Regulations, selling, disposing and leasing of assets amounting to more than 20% 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 recognized stock exchanges within one day of the resolution plan being approved.

Nothing contained in regulation 24 (6) of the Listing Regulations shall apply if such sale, disposal, or lease of assets is between two wholly-owned subsidiaries of the Company.

## **7. DISCLOSURES**

The Company shall disclose this Policy on its website (<http://www.icra.in/>) and a web link shall be provided in the Annual Report of the Company.

## **8. AMENDMENTS/MODIFICATIONS**

In case of any subsequent changes in the provisions of the Act or the Listing Regulations or any other regulation which makes any of the provisions in this Policy inconsistent with the Act or the Listing Regulations or any other regulations, then the provisions of the Act or the Listing Regulations or any other regulations would prevail over this Policy and the provisions in this Policy would be modified in due course to make it consistent with law.

Subject to applicable laws, the Board of Directors of the Company may amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in this Policy will be resolved by the Board of Directors in line with the broad intent of this Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

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