



Knowledge is wealth

POLICY FOR DETERMINING
MATERIAL
SUBSIDIARY COMPANIES

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PART- A

INTENT AND CONTENT

Navneet Education Limited (hereinafter referred to as 'Navneet') a public limited company incorporated on 18th September, 1984 under the Companies Act, 1956 (Corporate Identity Number L22200MH1984PLC034055).The equity shares of Navneet is listed on BSE and NSE and as such the provisions of Listing Agreement for equity shares are applicable and binding on it.

In terms of Clause 49 V D of the Listing Agreement relating to Corporate Governance, Navneet is required to formulate and adopt policy 'Material Subsidiaries' setting out the manner in which certain transactions with regard to such 'material subsidiaries may be conducted.

While, in the erstwhile Clause 49 of the Listing Agreement, compliances relating to material subsidiaries was restricted to unlisted Indian subsidiary companies, *inter alia*, requiring the listed holding company to nominate one of its independent directors on the board of its material unlisted Indian Subsidiary Company.

Securities and Exchange Board of India (SEBI) has whilst prescribing the criteria for determining material subsidiary companies has mandated that this policy covers both listed and unlisted subsidiary companies of a listed holding company and requires it to undertake certain transactions subject to approval of its shareholders by means of a special resolution.

Accordingly, the Board of Directors of Navneet has formulated and adopted this policy for determining material subsidiary companies and related compliance stated hereinafter.

PART - B

MATERIAL SUBSIDIARY COMPANY

Subsidiary Company

Section 2 (87) of the Companies Act,2013 defines a subsidiary company or subsidiary in relation to any other company (that is to say the holding company) as 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:

Provided that such class or classes of holding companies as may be prescribed and shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation : For the purpose of this clause-

- (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 sub- clause(ii) 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 any body corporate;
- (d) 'layer' in relation to a holding company means its subsidiary or subsidiaries.

CRITERIA FOR DETERMINING THE MATERIAL SUBSIDIARY

In terms of Clause 49 V E of the Listing Agreement, a subsidiary Company of Navneet shall be considered material, if

- i) the investment of Navneet in the subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of Navneet of the previous financial year;
- or**
- ii) any subsidiary company of Navneet has generated 20% of the consolidated income of Navneet during the previous financial year.

It is further clarified that where Navneet has a listed subsidiary which itself is a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

In terms of this policy, it shall be the responsibility of Navneet to ascertain which of its subsidiary companies can be deemed to be a Material Subsidiary Company for the purpose of Clause 49 V D of the Listing Agreement relating to Corporate Governance and ensure adherence to the relevant provisions stated therein.

Such affirmation shall be obtained by means of a certificate issued by the Statutory Auditors of Navneet and placed at the subsequent meeting of the Board of Directors, for its noting.

PART- C

COMPLIANCES

DIRECTORSHIPS:

In terms of the provisions of Clause 49 V A of the Listing Agreement, the holding company shall appoint any one of its independent directors as a director on the Board of its material non - listed Indian subsidiary company.

For the purpose of this requirement, a material non- listed Indian subsidiary company shall mean an unlisted company, incorporated in India , whose income or net worth (i.e. paid up share capital and free reserves) exceeding 20% of the consolidated income or net worth respectively, of Navneet and that of its subsidiaries, in the immediate preceding accounting year.

Such affirmation shall be obtained by means of a certificate issued by the Statutory Auditors of Navneet and placed at the subsequent meeting of the Board of Directors, for its noting.

The Board shall based on such certification, nominate any one of its independent directors on the Board of such material unlisted Indian subsidiary Company. Details thereof shall be disclosed in the report of Corporate Governance of Navneet.

DEALINGS RELATING TO MATERIAL SUBSIDIARY COMPANIES

In terms of Clause 49 V F of the Listing Agreement, Navneet is prohibited from executing the following transactions, unless approval of the shareholders is obtained by means of a special resolution.

- a. dispose the shares held in its material subsidiary company which would reduce its shareholdings (either on its own or together with one or more of its subsidiaries) to less than 50% , except in case where such divestment is made under scheme of arrangement duly approved by a Court/ Tribunal; or
- b. cease to exercise the control over the material subsidiary company except in case where such divestment is made under scheme of arrangement duly approved by a Court/ Tribunal;or

- c. sell, dispose or lease the assets of such material subsidiary company amounting to more than 20% of its assets of the material subsidiary on an aggregate basis during a financial year except in case where such sale, disposal or lease is made under scheme of arrangement duly approved by a Court/ Tribunal.

PART- D

GOVERNANCE STRUCTURE

In order to comply with the provisions set out in sub- clause (a) and (b) of Part -C, Navneet shall periodically review and monitor its shareholding in the concerned material subsidiary company and any changes thereof pursuant to any divestment or corporate action or restructuring, resulting in reduction in the shareholding of Navneet.

In order to comply with the provisions set out in sub - clause (c) of Part - C,Navneet shall endeavor to periodically call for and review information relating to assets of such material subsidiary company and changes thereof pursuant to any sale or divestment or transfer or alienation of the assets of such material subsidiary company in any manner whatsoever, resulting in reduction of its assets below aforementioned limits.

All consequential and collateral compliances under Clause 49 of the Listing Agreement relating to material subsidiary company shall be subject to the review and approval of the Board, especially with regard to the matters in Part- C of this Policy.

PART- E

DISCLOSURES

Appropriate disclosures relating to material subsidiary companies in terms of Clause 49 of the Listing Agreement shall be made in the Annual report and in case the approval of the shareholders of Navneet is required for any of the matters stated in this Policy, relevant details shall be disclosed in the notice and explanatory statement, in accordance with the relevant provisions of the Companies act, 2013 and Rules made there under.

As amended under Clause 49 V D, Navneet shall disclose this policy on material Subsidiary Company on its website i.e. www.navneet.com and a link shall be provided in its Annual Report.