

DAVANGERE SUGAR COMPANY LIMITED
POLICY FOR DETERMINING
MATERIAL SUBSIDIARIES

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Preamble

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI Listing Regulations") mandates all the companies whose securities are listed on a stock exchange to formulate a Policy for determining 'Material' Subsidiary ("Policy"). This Policy has been formulated in conformity with the applicable Regulations.

Policy

"Accounting Year" shall mean the period beginning on April 1 of a year to March 31 of the subsequent year.

"Audit Committee" means Audit Committee constituted by the Board of Directors of Company, from time to time, under Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI Listing Regulations.

"Board" means the board of directors of the Company.

"Company" means Davangere Sugar Company Limited.

"Material Unlisted Subsidiary" means an unlisted subsidiary(ies) whose turnover or net worth exceeds 10% of the consolidated turnover or net worth, respectively, of the Company and its Subsidiaries in the immediately preceding Accounting Year.

"Policy" shall mean this policy for determining 'material' Subsidiaries.

"SEBI Listing Regulations" shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

"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 for the immediately preceding accounting year.

"Subsidiary(ies)" shall mean a subsidiary(ies) as defined under Section 2(87) of the Companies Act, 2013, as amended.

"Unlisted Subsidiary(ies)" means Subsidiary(ies) of the Company whose securities are not listed on

any recognized stock exchanges.

Approval of the Members of the Company

The approval of the members shall be required in the following circumstances: -

- i. Disposal of the shares of the Material Subsidiary which would reduce the shareholding of the Company in a subsidiary (either on its own or together with other subsidiaries) to less than 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.
- ii. 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 the members by way of a 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 or if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Governance Framework

- a) At least one Independent Director on the Board shall be appointed as a Director on the board of directors of a Material Unlisted Subsidiary, whether incorporated in India or not.

For this purpose, the term "Material Unlisted Subsidiary" shall mean an subsidiary, whose turnover or net worth exceeds 10% of the consolidated turnover or net worth, respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.
- b) The Audit Committee of the Board shall review the financial statements, in particular the investments made by the Unlisted Subsidiaries.
- c) The minutes of the meetings of the board of directors of the Unlisted Subsidiaries shall be placed at the meeting of the Board.
- d) The management of the respective Unlisted Subsidiaries shall periodically bring to the attention of the Board, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiaries.
- e) The Company shall disclose all events or information with respect to its Subsidiaries which are material for the Company as per Regulation 30(9) of the SEBI Listing Regulations.

- f) Material Unlisted Subsidiaries incorporated in India shall undertake secretarial audit and shall annex a Secretarial Audit report given by a Company Secretary in practice, in such form as specified, with the Annual Report of the Company.

Disclosures:

The Policy shall be disclosed on the Company's website, and a web link thereto shall be provided in the section on corporate governance of the annual report of the Company.

Review of Policy:

This Policy shall be reviewed by the Board as may be deemed necessary and in accordance with any statutory /regulatory requirements. In case of any change/amendment in applicable statutes/regulations, the Policy shall stand revised to the extend thereto.
