



## **SMARTEN POWER SYSTEMS LIMITED**

### **POLICY FOR DETERMINING MATERIAL SUBSIDIARY**

(Adopted by Board of Directors in its meeting held on 12/12/2024. Effective from 12/12/2024)

**SMARTEN POWER SYSTEMS LIMITED**

**CIN:** U31401HR2014PLC052897

**Registered Office:**

374, 1st Floor Pace City-2, Sector-37,  
Gurgaon, Haryana, India, 122001



## **LEGAL FRAMEWORK:**

The Board of Directors of Smarten Power Systems Limited (the “Company”) has formulate a “Policy for determining Material Subsidiaries” to comply with the requirements of Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter “Listing Regulations”).

## **OBJECTIVE:**

The objective of the Policy is to determine Material Subsidiary/Subsidiaries of the Company and to provide a governance framework for such Material Subsidiary/Subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under Companies Act, 2013 and Listing Regulations, Circulars and Notifications made/issued thereunder, as amended fromtime to time.

## **DEFINITIONS:**

### **“Holding Company”**

Holding Company in relation to one or more other companies, means a Company of which such companies are subsidiaries companies.

*Explanation.* - For the purposes of this clause, the expression “company” includes any body corporate;

### **“Subsidiary Company”**

Subsidiary Company or Subsidiary in relation to any other Company (that is to say the Holding Company), means a Company in which the Holding Company-

- I. Controls<sup>1</sup> the composition of the Board of Directors; or
- II. Exercises or controls more than one half of the total voting power either at its own or together with one or more of its Subsidiary companies;

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

*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 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.

<sup>1</sup>The term "control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner as defined under section 2(27) of the Companies Act, 2013.

#### **IDENTIFICATION OF 'MATERIAL' SUBSIDIARY:**

A Subsidiary shall be considered as "Material Subsidiary" if its income or net worth exceeds 10% of the Consolidated Income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

#### **GOVERNANCE FRAMEWORK:**

- The Audit Committee of the Company shall also review the financial statements, in particular the investments made by the unlisted Subsidiary Company;
- The minutes of the Board meetings of the unlisted Subsidiary Company shall be placed at the Board meeting of the listed Holding Company;
- The Management of the Unlisted Subsidiary shall periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions & arrangements<sup>2</sup> entered into by the unlisted Subsidiary Company;

<sup>2</sup> "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.

- At least one independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of a unlisted material Subsidiary<sup>3</sup>, whether incorporated in India or not.

<sup>3</sup>For the purpose of this provision "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.



- The Company shall include particulars of its Subsidiary Company in its AnnualReturn.

#### **DISPOSAL OF MATERIAL SUBSIDIARY:**

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 50% or cease the exercise of control over the Subsidiary without passing a special resolution in its General Meeting except in cases where such disinvestment 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.
- Sell, dispose & lease of assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year without prior approval of the shareholders by way of passing special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by 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.

#### **SECRETARIAL AUDIT:**

The Material unlisted Subsidiary incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a Company Secretary in practice in Form No. MR-3.

#### **POLICY REVIEW:**

The Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

#### **DISCLOSURES:**

The Policy shall be posted on website of the Company <https://www.smartenpowersystems.com/> and a web linkthereto shall be provided in the Annual Report of the Company.