



POLICY ON MATERIAL SUBSIDIARIES

1. PREFACE

The Board of Directors of Prabhat Securities Limited has adopted the following policy and procedures with regard to Material Subsidiaries as defined below. The policy may be reviewed and amended by the Board from time to time.

2. OBJECTIVE

Pursuant to clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges this policy is framed for determination of Material Subsidiaries of Company and to provide for the governance framework for such identified subsidiaries.

3. DEFINITIONS

“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under clauses of Listing Agreement with the Stock Exchanges and the Companies Act, 2013.

“Board of Director” or **“Board”** means the Board of Directors of Prabhat Securities Limited, as constituted from time to time.

“Company” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“Independent Director” means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.

“Policy” means Policy on Material Subsidiaries.

“Material Non Listed Indian Subsidiary” shall mean a Material Subsidiary which is incorporated in India and is not listed on the Indian stock exchanges.

“Significant Transaction or Arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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.

“Subsidiary” shall be as defined under the Companies Act, 2013 and the Rules made there under.

4. POLICY

i. A subsidiary shall be a **Material Subsidiary**, if any of the following conditions are satisfied:

a. in which the investment of the Company exceeds twenty percent of its consolidated net worth as per the audited balance sheet of the previous financial year; or

b. which have generated twenty percent of the consolidated income of the Company during the previous financial year.

ii. One **Independent Director** of the Company shall be a director on the Board of the material non-listed Indian subsidiary company.

Material non-listed Indian subsidiary shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds twenty

percent of the consolidated income or net worth respectively of the Company in the immediately preceding accounting year.

iii. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by all the unlisted subsidiary companies on quarterly basis.

iv. The minutes of the Board Meetings of all the unlisted subsidiary companies shall be placed before the Board of the Company on quarterly basis.

v. The management shall on 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 all the unlisted subsidiary companies.

vi. The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of Independent Director on the board of material non-listed Indian subsidiary.

5. DISPOSAL OF MATERIAL SUBSIDIARY

The Company shall not without passing a special resolution in its general meeting:

i. dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than fifty percent ; or

ii. ceases the exercise of control over the subsidiary; or

iii. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary.

Provided that no such prior approval of shareholders by way of special resolution in general meeting will be required if the sale, disposal, lease is made pursuant to a scheme of arrangement duly approved by a Court/Tribunal.

6. DISSEMINATION

Pursuant to clause 49 of the Listing Agreement, this Policy and any amendment thereto shall be posted on the website of the Company and a web link thereto shall be provided in the Annual Report.