



**LARSEN & TOUBRO**

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# Policy for Determining Material Subsidiary

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# **POLICY FOR DETERMINING MATERIAL SUBSIDIARY**

## **1 Introduction**

As per Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Listed entity is required to frame a policy for determining material subsidiary of the Company.

## **2 Purpose**

The purpose of this Policy is to determine material subsidiary(ies) of the Company.

## **3 Authority**

This Policy has been adopted by the Board of Directors of Larsen & Toubro Limited ('the Company') at its Meeting held on 29<sup>th</sup> January, 2016 (The erstwhile Policy for determining Material Subsidiaries stands replaced by this Policy and the effective date is December 01, 2015). The Policy shall also be displayed on the website of the Company.

## **4 Policy**

A subsidiary shall be considered as '**MATERIAL SUBSIDIARY**' if –

- net-worth of the subsidiary exceeds 10% of the consolidated net-worth of the Company in the immediately preceding accounting year OR
- income of the subsidiary exceeds 10% of the consolidated income of the Company in the immediately preceding accounting year.

## **5 Other Provisions**

- **Independent Director on the Board**

At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of an unlisted material subsidiary whether incorporated in India or not.

For the purpose of compliance with the above, the term “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- **Restriction on disposal of shares**

The Company shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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 and Bankruptcy Code, 2016 (‘Insolvency Code’) such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

- **Restriction on disposal of Assets**

Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders 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.

- **Secretarial Audit**

Every material unlisted subsidiary of the Company 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 such form as may be prescribed.

## **6 Review & Amendment**

The Policy shall be reviewed as and when required to ensure that it meets the objectives of the relevant legislation and remains effective. The Executive Committee has the right to change/amend the policy as may be expedient taking into account the law for the time being in force.

(Last amended on 6<sup>th</sup> May, 2019 by Executive Committee).

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## 4 Policy

A subsidiary shall be considered as '**MATERIAL SUBSIDIARY**' if –

- net-worth of the subsidiary exceeds 10% of the consolidated net-worth of the Company in the immediately preceding accounting year OR
- turnover of the subsidiary exceeds 10% of the consolidated turnover of the Company in the immediately preceding accounting year.

## 5 Other Provisions

- **Independent Director on the Board**

At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of an unlisted material subsidiary whether incorporated in India or not.

For the purpose of compliance with the above, the term “Material Subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- **Restriction on disposal of shares**

The Company shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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 and Bankruptcy Code, 2016 (‘Insolvency Code’) such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

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Nothing contained in this clause shall be applicable if such sale, disposal or lease of assets is between two wholly owned material subsidiaries of the Company.

- **Secretarial Audit**

Every material unlisted subsidiary of the Company incorporated in India shall undertake secretarial audit by a Secretarial Auditor who shall be a Peer

Reviewed Company Secretary and shall annex a Secretarial Audit Report in such form as specified, with the annual report of the Company.

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Record of Release:

<b>Version No.</b>	<b>Created by</b>	<b>Reviewed and Authorized by</b>	<b>Approved by</b>	<b>Release Date</b>
1.0	Assistant Company Secretary	Company Secretary/ Additional Company Secretary	Board	January, 2016
2.0	Deputy Company Secretary	Company Secretary/ Joint Company Secretary	ECOM	May, 2019
3.0	Additional Company Secretary	Company Secretary/ Joint Company Secretary	ECOM	March, 2025