

POLICY FOR DETERMINING ‘MATERIAL’ SUBSIDIARIES

1. PURPOSE

Determination of Material Listed or Non-Listed Indian or Foreign Subsidiaries of the Artificial Electronics Intelligent Material Limited (hereinafter referred to as the “Company”), where applicable, and complying with disclosures/other requirements regarding such Subsidiaries and disinvestment of their shares held by the Company, and, selling/ disposing/ leasing of assets of such Subsidiaries by them.

In term of Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“The Listing Regulations”) the Company is required to formulate a policy for determination of “Material Subsidiaries. Accordingly, the Board of the Directors of the Company had approved and adopted the “Policy for Determining Material Subsidiary” (“Policy”) of the Company.

2. OBJECTIVE

The objective of this Policy is to:

- a. establish appropriate criteria for determining whether a subsidiary of the Company qualifies as a "Material Subsidiary";
 - b. ensure compliance with the requirements prescribed under the SEBI LODR Regulations;
 - c. provide an appropriate framework for monitoring the operations and affairs of material subsidiaries;
 - d. ensure adequate oversight by the Board of Directors and the Audit Committee of the Company over material subsidiaries; and
 - e. ensure appropriate disclosures to shareholders, stock exchanges and other stakeholders, wherever required under applicable laws and regulations.
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3. DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings assigned to them below:

3.1 "Act"

"Act" shall mean the Companies Act, 2013, together with the rules made thereunder, as amended from time to time.

3.2 "Board"

"Board" means the Board of Directors of the Company.

3.3 "Company" or "Listed Entity"

"Company" or "Listed Entity" means Artificial Electronics Intelligent Material Limited, whose securities are listed on BSE Limited.

3.4 "Subsidiary"

"Subsidiary" shall have the meaning assigned to it under the Companies Act, 2013, as amended from time to time, and shall include subsidiaries incorporated in India or outside India, as applicable.

3.5 "Material Subsidiary"

"Material Subsidiary" shall mean a subsidiary of the Company as defined under the applicable provisions of the SEBI LODR Regulations.

As presently prescribed under Regulation 16(1)(c) of the SEBI LODR Regulations, a "Material Subsidiary" means a subsidiary, whose income or net worth exceeds ten per cent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

For the purposes of this Policy, the determination of a Material Subsidiary shall be made in accordance with the applicable provisions of the SEBI LODR Regulations prevailing from time to time.

4. DETERMINATION OF MATERIAL SUBSIDIARY

A subsidiary shall be considered a Material Subsidiary where its:

- a. Income exceeds 10% of the consolidated income of the Company and its subsidiaries;
 - or
 - b. Net worth exceeds 10% of the consolidated net worth of the Company and its subsidiaries,
- in each case, based on the immediately preceding accounting year.

The determination shall be made on the basis of the latest audited consolidated financial statements of the Company and the audited financial statements of the relevant subsidiary, as applicable.

Where a subsidiary becomes a Material Subsidiary during the financial year, the Company shall ensure that the applicable requirements of the SEBI LODR Regulations are complied with from the time such subsidiary qualifies as a Material Subsidiary.

5. GOVERNANCE OF MATERIAL SUBSIDIARIES

The Company shall ensure that the governance framework applicable to Material Subsidiaries is implemented in accordance with the SEBI LODR Regulations and other applicable laws.

In particular:

5.1 Board Representation

At least one Independent Director of the Company shall be appointed as a director on the Board of an unlisted Material Subsidiary incorporated in India or outside India, wherever required under the applicable provisions of the SEBI LODR Regulations.

The appointment shall be made in accordance with applicable law and the constitutional documents of the relevant subsidiary.

5.2 Review by Audit Committee

The Audit Committee of the Company shall review the financial statements, investments and other matters of subsidiaries to the extent required under applicable laws and the Company's governance framework.

The Audit Committee shall also review, where applicable, the financial statements of the unlisted subsidiary, particularly investments made by such subsidiary, in accordance with the SEBI LODR Regulations.

5.3 Significant Transactions and Arrangements

The management of an unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company a statement of all significant transactions and arrangements entered into by such subsidiary.

For this purpose, "significant transaction or arrangement" shall have the meaning prescribed under the applicable SEBI LODR Regulations.

As presently prescribed, a significant transaction or arrangement means an 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.

6. DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY

The Company shall not dispose of shares in its Material Subsidiary resulting in:

- a. reduction of its shareholding, either on its own or together with other subsidiaries, to less than 50%; or
- b. cessation of exercise of control over the subsidiary,

except in accordance with the applicable provisions of the SEBI LODR Regulations and subject to such approvals as may be required.

The above restriction shall not apply in cases where the divestment is made pursuant to a scheme of arrangement duly approved by the competent authority or in such other circumstances as may be permitted under applicable law.

7. SALE / DISPOSAL / LEASE OF ASSETS OF MATERIAL SUBSIDIARY

The Company shall not sell, dispose of or lease assets amounting to more than 20% of the assets of a Material Subsidiary, on an aggregate basis during a financial year, without prior approval of the shareholders of the Company by way of a special resolution, except where such transaction is undertaken pursuant to a scheme of arrangement duly approved by the competent authority or otherwise permitted under applicable law.

The provisions of this Clause shall be subject to the applicable provisions of the SEBI LODR Regulations as amended from time to time.

8. DISCLOSURES

The Company shall make such disclosures relating to its Material Subsidiaries as may be required under the SEBI LODR Regulations, the Companies Act, 2013 and other applicable laws.

The Company shall maintain on its website such information relating to its subsidiaries, including Material Subsidiaries, as may be required under applicable regulations.

Where any material event or information relating to a subsidiary is required to be disclosed under the SEBI LODR Regulations, the Company shall make the requisite disclosure to the stock exchange(s) within the prescribed timelines.

9. AMENDMENT

The Board of Directors shall have the power to review, amend, modify or revise this Policy from time to time in accordance with changes in applicable laws, regulations, guidelines or other regulatory requirements.

Any amendment to this Policy shall be approved by the Board or such committee/authority as may be authorised by the Board in accordance with applicable law.

11. REVIEW OF THE POLICY

This Policy shall be reviewed periodically and whenever there is a material change in the applicable regulatory framework or the Company's corporate structure that may have an impact on the provisions of this Policy.

12. WEBSITE DISCLOSURE

This Policy shall be made available on the Company's website in accordance with the applicable provisions of the SEBI LODR Regulations.
