



**Policy on Material Subsidiary pursuant to Regulation 16 (1) (c) of
the SEBI (LODR) Regulations, 2015 including amendments made
thereto from time to time**

NAVA LIMITED

(Formerly Nava Bharat Ventures Ltd.)

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PREAMBLE:

In exercise of the power given in Regulation 16 (1) (c) under Explanation thereto, the Board of Directors of NAVA LIMITED ('the Company') have framed and adopted/ approved the following Policy for determining "**Material Subsidiary**" of the Company in compliance with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 ('the Regulations').

APPLICABILITY OF THE POLICY:

The Policy will become applicable and effective from April 1, 2019.

OBJECTIVE:

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

DEFINITIONS:

Regulation no. 16 under Chapter IV of the Regulations shall be referred for the definitions.

DETERMINING FACTORS OF MATERIALITY:

The Company shall refer to the definition of "material subsidiary" as provided under Regulation 16 (1) (c) read with the Explanation to Regulation 24 (1) of the Regulations to determine whether a subsidiary is a material subsidiary of the Company or not.

LIMITATION IN DETERMINING MATERIAL SUBSIDIARY:

The terms "Material subsidiary", "subsidiary", "unlisted subsidiary", "listed subsidiary" etc. have since been distinctly mentioned in sub-regulations under Chapter IV of the Regulations, the respective provisions of the Regulations are meant to be applicable accordingly and as the case may be. It is pertinent to state that irrespective of the status (i.e. holding company or material subsidiary or wholly-owned subsidiary or subsidiary) all are distinct and separate legal entities under the law and function under respective independent Board of directors.

METHODOLOGY TO DETERMINE "MATERIAL SUBSIDIARY":

The Regulation 24 (1) of the Regulations dealing with determining Material Subsidiary is reproduced hereunder:

24. (1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16, the term "material subsidiary" shall mean a subsidiary, whose



income or net worth exceeds twenty per cent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Accordingly, the consolidated income or net worth of the listed entity and its subsidiaries incorporated in India or not, in the immediate preceding accounting year is the basis for identifying or determining a “material subsidiary” as one time exercise during a financial year and this exercise need not be extended to step down subsidiaries since:

- (i) the income or net worth of such step down subsidiary(ies) are factored into the income or net worth of the holding company which is a material subsidiary of listed entity; and
- (ii) If an independent director is appointed on the Board of directors of the material subsidiary then such Board in the ordinary course is entrusted / vested with the functions and duties to monitor the affairs and exercise control over the step down subsidiaries to fulfil the requirements of the Law or otherwise to further strengthen the Corporate Governance;

FREQUENCY OF MATERIALITY TEST

The materiality test shall be applied every financial year as soon as the audited financial statements of the Company are made available.

REQUIREMENTS IN RELATION TO THE MATERIAL SUBSIDIARY COMPANY AS PER THE REGULATION PROVIDED UNDER CHAPTER IV OF THE REGULATIONS:

Following requirements shall be observed by the Company in relation to a material subsidiary of the Company:

1. At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India or not.
2. The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
3. The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the listed entity.
4. The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

Explanation- For the purpose of this regulation, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten per cent 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.

5. A listed entity 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 per cent 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.
6. Selling, disposing and leasing of assets amounting to more than twenty per cent 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.
7. Where a listed entity has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

PROCEDURE FOR APPOINTMENT OF INDEPENDENT DIRECTOR OF LISTED ENTITY ON THE BOARD OF DIRECTORS OF "MATERIAL SUBSIDIARY":

- 1) Nomination and Remuneration Committee (NRC) of the Company shall identify the available Independent Director (ID) who is able to spare his / her services for being appointed as Nominee Independent Director on the Board of directors of material subsidiary being representative of the Company.
- 2) After obtaining willingness / consent from such ID, the NRC shall recommend to the Board of Directors of the Company for its review and nomination on the Board of Directors of material subsidiary;
- 3) The nomination proposal shall be sent to the Board of Directors of Material Subsidiary for consideration and consequential appointment. In case of Foreign Material Subsidiary, the consideration and appointment of such Independent Director on its Board of Directors shall be inter alia subject to the Articles of Association of Foreign Material Subsidiary, Joint Venture Agreement (s), applicable laws of such foreign country, grant of visas / work permit, Directors Service Agreement as may be necessitated as per the local laws of such foreign country and such approval of the Board of the Directors of the Foreign Material Subsidiary.

If a Material Subsidiary Company is formed under any Joint Venture Agreement with the Government / Government Company/ Public Sector Undertaking/ Body Corporate of Foreign Entity and the agreement provides for proportionate appointment of



directors by the JV Partners, then the appointment of Independent Director shall be subject to concurrence of respective JV Partners. In the matter of foreign Material Subsidiary of the Company, if there is any subsisting agreement in respect of proportionate appointment of directors, then such nomination of Independent Director shall not lead to any undue advantage to the Joint Venture Partner or such other Stakeholder in the Material Subsidiary.

FORCE MAJEURE:

If the nomination of an ID on the Board of a Material Subsidiary is beyond the control of the Company due to applicable laws especially of a foreign country or subsisting JV Agreements etc. or is either prevented by order/ judgement/ direction of any Competent Authority or Tribunal or Court or Quasi-Judicial Authority or Regulator etc., such failure may not be viewed as wilful or voluntary on the part of the Company.

Further, even after being sought, if none of the IDs give consent or express willingness for being nominated on the Board of directors of material subsidiary, the NRC and the Board of directors of the Company shall act diligently to fulfil the nomination and till such time it will not be construed as a failure of the Board of the Directors of the listed company.

REVIEW:

The Board of Directors may review or amend or substitute this policy, in whole or part, from time to time.