

**AZAD ENGINEERING LIMITED**

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**POLICY FOR DETERMINING MATERIAL  
SUBSIDIARIES**

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## 1. Preamble and Objectives

The Board of Directors of Azad Engineering Limited (“Company”) in compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), have formulated this policy.

The primary purpose of this Policy is to lay down the criteria for identification of Material Subsidiary of the Company (as defined below) and disclosure, and governance thereof as required under the SEBI Listing Regulations.

## 2. Effective Date

The Policy shall come into effect from the date of approval by the Board of Directors.

## 3. Definitions

“**Act**” means the Companies Act, 2013 & rules made thereunder, including any amendments or modifications thereof.

“**Audit Committee**” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under Section 177 of the Companies Act, 2013 read with Regulation 18 of the SEBI Listing Regulations.

“**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**Independent Director**” means an Independent Director as defined under the Act and the SEBI Listing Regulations from time to time.

“**Insolvency Code**”, means Insolvency and Bankruptcy Code, 2016, as amended.

**“Material Subsidiary”** shall mean a subsidiary, whose turnover or net worth exceeds Ten (10) percent of the consolidated Turnover or Net Worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**“Net Worth”** means net worth as defined under section 2(57) of the Companies Act, 2013.

**“Subsidiary”** shall mean a Subsidiary as defined under the Companies Act, 2013.

**“Unlisted Subsidiary”** means a Subsidiary of the Company whose shares are not listed on any stock exchange.

Any other term not defined herein shall have the same meaning as defined in the Companies Act 2013, the SEBI Listing Regulations or any other applicable regulations

#### **4. Criteria for Determining the Material Subsidiaries**

The Company shall determine its Material Subsidiaries based on the criteria prescribed under Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, i.e., a Subsidiary whose Turnover or Net Worth exceeds Ten (10) percent of the consolidated Turnover or Net Worth respectively of the Company and its Subsidiaries in the immediately preceding accounting year.

#### **5. Governance of Material Subsidiaries**

##### **a) Appointment of Independent Director**

At least one Independent Director on the Board shall be appointed as a Director on the Board of Directors of an unlisted Material Subsidiary, whether incorporated in India or abroad.

Notwithstanding anything contrary contained in this Policy, for the purpose of Clause 5(a), the term “Material Subsidiary” shall mean a Subsidiary, whose Turnover or Net Worth exceeds Twenty (20) percent of the consolidated

Turnover or Net Worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

**b) Matters to be Reviewed by the Company**

The management of the Company shall periodically monitor the performance and financial position of its subsidiaries. The Board and the Audit Committee shall be periodically apprised of the operations and financial performance of the subsidiaries, including material developments and risks relating to such subsidiaries.

**c) Disposal of Shares or Assets of Material Subsidiary**

The Company shall not dispose of shares in its Material Subsidiary which would reduce the shareholding of the Company (either on its own or together with other subsidiaries) to less than or equal to fifty (50) percent or cease the exercise of control over such Material 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.

The Company shall not sell, dispose and lease of assets amounting to more than Twenty (20) percent of the assets of the Material Subsidiary on an aggregate basis during a financial year without prior approval of shareholders by way of special resolution, unless such 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. Provided this shall not be applicable if such sale, disposal or lease of assets is between two wholly Owned Subsidiaries of the Company.

#### d) Secretarial Audit

The Unlisted Material Subsidiaries incorporated in India shall undertake Secretarial Audit by a Secretarial Auditor who shall be a peer reviewed Company Secretary in terms of the SEBI Listing Regulations; and the Company shall annex with its Annual Report, a Secretarial Audit Report, given by a Company Secretary in Practice. Such Secretarial Auditor shall be appointed in compliance with the SEBI Listing Regulations.

#### 6. Disclosure

The Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the annual report of the Company.

#### 7. Policy Review

This Policy shall be reviewed periodically by the Board to ensure its continued alignment with applicable laws, regulatory requirements and best governance practices.

In the event of any conflict between the provisions of this Policy and of the applicable law, such applicable law in force from time to time shall prevail over this Policy.

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#### Version History

Name of the Document	Policy for determining Material Subsidiaries
Version	1
Prepared by	Secretarial and Legal Department
Approved by	Board of Directors
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