

POLICY FOR DETERMINING **'MATERIAL' SUBSIDIARIES**

(Amended w.e.f. 1st April, 2019)

Mystic Electronics Limited

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MYSTIC ELECTRONICS LIMITED

POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES

1. PURPOSE

This Policy is framed in order to comply with the requirements of Regulation 16(1)(c) and Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "Listing Regulations"), as may be amended from time to time.

2. DEFINITIONS

- a. "**Act**" means the Companies Act, 2013 and Rules made thereunder, for the time being in force and as may be clarified, amended, re-enacted from time to time.
- b. "**Board**" means the collective body of the Directors of the Company.
- c. "**Committee**" or "**Audit Committee**" means Audit Committee constituted by the Board of Directors of the Company, from time to time, under the provisions of the Companies Act, 2013 or the previous Company law and the Listing Regulations.
- d. "**Company**" means "Mystic Electronics Limited" or also referred to as "MEL".
- e. "**Director**" means a person appointed as Director on the Board of the Company.
- f. "**Independent Director**" means as Non-Executive director defined under Regulation 16(1) (b) of Listing Regulations and Section 149(6) of Companies Act, 2013.
- g. "**Subsidiary Company**" or "**Subsidiary**" shall have the same meaning as defined in section 2(87) of the Act.
- h. "**Material Subsidiary**" a subsidiary shall be considered as 'Material Subsidiary' whose income or net worth exceeds 10% (ten percent) of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

However, for the purpose of Regulation 24(1) of Listing Regulations the term "Material subsidiary" shall mean unlisted subsidiary, whose income or net worth exceeds 20% (twenty percent) of the consolidated income or net worth respectively, of the listed company and its subsidiaries in the immediately preceding accounting year.

- i. "**Significant transaction or arrangement**" shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% (ten percent) 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.

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 and the rules and regulations made thereunder, Accounting Standards and applicable laws, to the extent relevant in connection with this Policy, as the case may be or in any amendment thereto. Where any stipulation is common between the applicable Laws, more stringent of them shall be complied with.

3. POLICY

Identification

a. Identification of material subsidiary company:

A subsidiary company shall be considered as material whose income or net worth exceeds 10% (ten percent) of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

b. Identification of material subsidiary for the purpose of Regulation 24(1) of Listing Regulations:

A subsidiary shall be considered to be a material subsidiary if it is a subsidiary, incorporated in India, whose income or net worth exceeds 20% (twenty per cent) of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

Compliances with respect to subsidiary companies (including material subsidiary companies)

- a. The Audit Committee shall review the financial statements of all subsidiary companies and, in particular, the investments made by the unlisted subsidiary companies.
- b. The minutes of the Board meetings of the unlisted subsidiary companies shall be placed at the board meeting of the Company. The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies.
- c. The Company shall disclose all events or information to the Stock exchanges as covered under Regulation 30 of Listing Regulations with respect to material subsidiaries.
- d. The Company shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% (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.

- e. Selling, disposing and leasing of assets amounting to more than 20%(twenty percent) of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company 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.

Compliances with respect to unlisted material subsidiary companies covered under Regulation 24(1) of Listing Regulations

At least 1 (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.

4. DISCLOSURES

This Policy shall be disclosed on the Company`s website www.mystic-electronics.com.

5. AMENDMENT(S) IN THE POLICY

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant government authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.