SPARC ELECTREX LIMITED

CIN: L31100MH1989PLC053467

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

INTRODUCTION:

This policy has been prepared in accordance with the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 to be effective from April 01, 2019.

It is intended to ensure governance as well as disclosure on material subsidiary companies. The Board will also have the powers to amend this policy or substitute this policy with a new policy as and when deemed fit.

DEFINITIONS:

"Audit Committee or Committee" means Audit Committee constituted by the Board of Directors of the Company, from time to time under the provisions of SEBI LODR, 2015, or the Companies Act, 2013.

"Board of Directors or Board" means the Board of Directors of **SPARC ELECTREX LIMITED** as constituted from time to time.

"Company" means **SPARC ELECTREX LIMITED**

"Independent Director" means a Director of the Company, not being a whole time Director who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence as laid down under Schedule IV of the Companies Act, 2013 and the SEBI's LODR, 2015 entered into with the stock exchanges.

"Policy" means Policy on **Material Subsidiary**.

"Material Subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

"Significant Transaction or Arrangement" shall mean any 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.

"Subsidiary" shall be as defined under the Companies Act, 2013 and the Rules made there under.

"Unlisted Subsidiary" means Subsidiary whose securities are not listed on any recognized Stock Exchanges

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CRITERIA:

A subsidiary of the Company shall be considered as "Material" if its turnover or net worth exceeds ten percent (10%) of the consolidated turnover or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

Requirement for Independent Directorship:
Pursuant to Regulation 24(1) of the Listing Regulations, 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) whose turnover or net worth exceeds twenty percent (20%) of the consolidated turnover or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

GOVERNANCE FRAMEWORK:

1. The Company shall ensure that an Independent Director of the Company is appointed to the Board of Directors of any unlisted material subsidiary that satisfies the 20% statutory threshold specified under Regulation 24(1).

2. The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on a periodic / quarterly basis.

3. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of Directors of the Company.

4. The Management of the Unlisted Subsidiary 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 Company.

DISPOSAL OF MATERIAL SUBSIDIARY:

The Company shall not:

- dispose of the shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting, except in cases where 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 exchange within one day of the resolution plan being approved.

- sell, dispose off and lease assets amounting to more than twenty 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 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 exchange within one day of the resolution plan being approved.

DISCLOSURE OF THE POLICY:

This Policy shall be uploaded on the Company's website for public information and a web link for the same shall also be provided in the Annual Report of the Company.

REVIEW:

The Board will review this policy and make such revisions as may be required or deemed necessary from time to time by reason of any changes in applicable statutory provisions

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POLICY ON IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

INTRODUCTION:

This Policy has been formulated to define the materiality for identification of group companies, material outstanding litigations and outstanding dues to material creditors in respect of Sparc Electrex limited (the "**Company**"), pursuant to the disclosure requirements under Schedule VI Part A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as may be amended from time to time ("**SEBI ICDR Regulations**").

B. APPLICABILITY AND OBJECTIVE

This policy shall be called the **'Policy on Identification of Group Companies, Material Creditors and Material Litigations' ("Materiality Policy").**

The Company has adopted this Materiality Policy for identification of: (i) Group Companies; (ii) material creditors; and (ii) material litigations pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the offer documents.

In this Materiality Policy, the term "Offer Documents" shall mean the draft red herring prospectus, the red herring prospectus and the prospectus to be filed by the Company in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India, Registrar of Companies, Maharashtra at Mumbai and stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

All other capitalised terms not specifically defined in this Materiality Policy shall have the same meanings ascribed to such terms in the Offer Documents.

In this Materiality Policy, unless the context otherwise requires:

i. Words denoting the singular shall include the plural and vice versa; and
ii. References to the words "include" or "including" shall be construed without limitation.

C. POLICY PERTAINING TO THE IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

The Materiality Policy with respect to the identification of the group companies, material creditors and material litigation shall be as follows:

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Identification of Group Companies:

Requirement:
As per Regulation 2 (1) (t) of the SEBI ICDR Regulations, Group Companies shall include such companies (other than promoter(s) and subsidiary/subsidiaries, (direct or indirect)) with which there were related party transactions, during the period for which financial information is disclosed, as covered under the applicable accounting standards, and also any other companies as considered material by the board of directors of the Company.

Policy on Materiality:
For the purpose of disclosure in the Offer Documents, a company shall be considered material and disclosed as a Group Company if:

i. such companies (other than promoter(s) and subsidiary/subsidiaries) with which there were related party transactions, during the period for which restated consolidated financial statements is disclosed in the Offer Documents; and

ii. such companies shall be considered material and disclosed as group companies which are members of the Promoter Group and with which there were related party transactions in the most recently completed Fiscal as per the restated financial information included in the Offer Documents, which, individually or in the aggregate, exceed 10% of the total restated consolidated revenues of our Company for the most recently completed Fiscal as per the restated financial information included in the Offer Documents.

For avoidance of doubt, it is hereby clarified that the subsidiaries and step down subsidiaries of the Company shall not be considered as 'Group Companies' for the purpose of disclosure in the Offer Documents.

Identification of Material Creditors

Requirement:
As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents for outstanding dues to creditors:

i. Based on the policy on materiality of the Board of Directors of the Company, details of creditors which include the consolidated number of creditors and the aggregate amount involved;

ii. Consolidated information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved; and

iii. Complete details about outstanding over dues to material creditors along with the name and amount involved for each such material creditor shall be disclosed, on the website of the Company with a web link thereto.

Policy on Materiality:

For identification of material creditors (except banks and financial institutions from whom the Company has availed financing facilities), in terms of point (i) above, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents, if amounts due to such creditor exceed 5% of the total consolidated trade payables of the Company as per the most recently completed Fiscal as per the restated financial statements of the Company, as disclosed in the Offer Documents.

Disclosure in the Offer Documents regarding material creditors and MSMEs

i. For creditors identified as 'material' based on the above mentioned Policy, information on outstanding dues to such material creditors shall be disclosed in the Offer Documents along with the details of the material creditors, which include the consolidated number of creditors and amount involved on an aggregate basis, as of the date of the latest restated financial statements included in the Offer Documents.

ii. For outstanding dues to micro, small and medium enterprises ("MSMEs"), the disclosure will be based on information available with the Company regarding the status of the creditors as MSMEs as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report. Information for such identified MSMEs creditors shall be provided in the Offer Documents in the following manner: a. aggregate amounts due to such MSME creditors; and b. aggregate number of such MSME creditors as of the date of the latest restated financial statements included in the Offer Documents.

iii. Complete details about outstanding over dues to the material creditors along with the name and amount involved for each such material creditors shall be disclosed on the website of our Company with a web link in the Offer Documents.

The Company shall make relevant disclosures before the Audit Committee/ Board as required by applicable law from time to time.

Identification of Material Litigations

Requirement:
As per the requirements of SEBI ICDR Regulations, the Company shall disclose all litigations involving the Company, its directors, promoters and subsidiaries related to:

i. All criminal proceedings;
ii. All actions by regulatory authorities and statutory authorities;
iii. Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action;
iv. Claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount; and
v. Other pending litigations – As per the policy of materiality defined by the board of directors of the issuer and disclosed in the offer document.

Policy on Materiality:

For the purpose of point no (v) above, any other pending litigation involving the Company, its directors, promoters and subsidiaries shall be considered "material" for the purpose of disclosure in the Offer Documents if:

(A) involving our Company and Subsidiaries:

a. where the aggregate monetary claim made by or against the Company and our subsidiaries, in any such pending litigation proceeding is in excess of (i) 2% of consolidated turnover, (ii) 2% of consolidated net worth, or (iii) 5% of average absolute consolidated PAT (last 3 years), whichever is lower.

b. where the monetary liability is not quantifiable, or which does not fulfil the threshold specified in (i) above, but the outcome of which could, nonetheless may have a material adverse effect on the position, business, operations, prospects or reputation of the Company have been considered "material";

(B) involving the Promoters (individually or in aggregate) and Directors, the outcome of which would materially and adversely affect the business, operations, prospects, financial position or reputation of the Company, irrespective of the amount involved, has been considered as material.

D. AMENDMENT

The Directors of the Company shall have the power to amend any of the provisions of this Materiality Policy, substitute any of the provisions with a new provision or replace this Materiality Policy entirely with a new Policy. This Materiality Policy shall be subject to review / changes as may be deemed necessary and in accordance with regulatory amendments from time to time.

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