



NEWGEN SOFTWARE TECHNOLOGIES LIMITED

**POLICY FOR DETERMINING MATERIAL
SUBSIDIARIES**

Revision No.: - 1.1

Policy Reference Number: - Finance/ PDMS – 02/24.01.2019

Newgen Software Technologies Ltd.

This document contains propriety information of NSTL. No part of this document may be reproduced, stored, copied or transmitted in any form or by any means of electronic, mechanical, photocopying or otherwise, without the consent of NSTL. This document is for internal circulation and not meant for external circulation.



NEWGEN

Revision History			
Release Date (DD-MM-YYYY)	Revision No.	Changes Summary	Approved By (Designation)
18-09-2017	1.0	First Release	Board of Directors
01-04-2019	1.1	Revision in the Policy due to amendments in SEBI Listing Regulations.	Board of Directors



Contents

1. PREFACE:.....	4
2. OBJECTIVE OF THE POLICY:.....	4
3. DEFINITIONS:.....	4
4. GOVERNANCE FRAMEWORK FOR SUBSIDIARIES.....	5
5. GROUP GOVERNANCE COMMITTEE:.....	6
6. DISCLOSURES:.....	6
7. AMENDMENT.....	6



1. PREFACE:

Newgen Software Technologies Limited (the “Company”) is obligated to frame a Policy for determining Material Subsidiary Companies in terms of Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Regulations” or Listing Regulations). In view of the requirements referred to above and for the purpose of enhancement of its commitment to better corporate governance, the Company has adopted this Policy.

2. OBJECTIVE OF THE POLICY:

This Policy lays down the criteria to determine the Material and Non - Material Subsidiary and to provide the governance framework for such Subsidiaries.

3. DEFINITIONS:

“Act” means the Companies Act, 2013 and rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“Audit Committee” means the Committee of Board of Directors constituted in pursuance of Section 177 of the Act and SEBI Regulations.

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

“Independent Director” means a director of the Company, not being a whole-time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Act and the SEBI Listing Regulations.

“Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

“Net Worth” shall have the same meaning as assigned under the Act including the rules made thereunder and the applicable Accounting Standards.

“Subsidiary” shall have the same meaning as assigned under the Act including the rules made thereunder and the SEBI Regulations

“Unlisted Subsidiary” means Subsidiary whose securities are not listed on any recognized Stock Exchanges.

Words and expressions used and not defined in this Policy but defined in the Act or SEBI Regulations of any other applicable laws shall have the meanings respectively assigned to them in those Act, Regulations and Law.



4. GOVERNANCE FRAMEWORK FOR SUBSIDIARIES:

Compliances with respect to Unlisted Material Subsidiary

4.1. At least one Independent Director of the Company shall be appointed as a director on the Board of an Unlisted Material Subsidiary whether incorporated in India or not.

Provided that for the purpose of this compliance requirement, material subsidiary shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

4.2. The Unlisted Material Subsidiary incorporated in India shall undertake secretarial audit and such audit report shall be annexed to the annual report of the Company.

Compliances with respect to Material Subsidiaries

4.3. The Company shall not, without the prior approval of its shareholders by way of a special resolution:

- dispose of shares held in its Material Subsidiaries which would have the effect of reducing its shareholding (either on its own or together with other Subsidiaries) to less than 50% (fifty per cent.) except when made under a scheme of arrangement duly approved by a Court / Tribunal;
- cease the exercise of control over any Material Subsidiary; or
- sell, dispose or lease assets amounting to more than 20% (twenty per cent.) of the assets of the Material Subsidiary on an aggregate basis during any financial year, unless such disinvestment, sale, disposal or lease is made under a scheme of arrangement duly approved by a Court / Tribunal.

Compliances with respect to Subsidiaries

4.4. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted Subsidiary.

4.5. The minutes of the board meetings of the unlisted Subsidiary shall be placed before the Board of the Company.

4.6. The management of unlisted subsidiary shall periodically bring to the notice of the Board, a statement of all Significant Transactions or Arrangements entered into by unlisted Subsidiary.

Provided that for the purpose of this compliance requirement, the term "Significant transaction or arrangement" shall mean "any individual transaction or arrangement that exceeds or is likely to exceed 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."



NEWGEN

4.7. Subsidiary Company shall not either by its own or through its nominees, hold any shares in its holding company & no holding company shall allot or transfer its shares to any of its subsidiary companies & any such allotment or transfer of shares of a company to its subsidiary company shall be void.

Provided that nothing contained in this clause, shall apply to a case:

- Where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or
- Where the subsidiary company holds such shares as a trustee; or
- Where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company.

4.8. The Audit Committee of the Company shall review the utilization of loans and/ or advances from/ investment by the holding company in the subsidiary Company exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

4.9. The separate audited annual financial statements of each subsidiary shall be put on the website of the Company at least 21 days prior to the date of Annual General Meeting (AGM).

4.10. The Management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of Independent Director on the board of Unlisted Material Subsidiary.

4.11. The Company shall disclose to the stock exchanges all events or information with respect to subsidiaries which are material for the listed entity.

5. GROUP GOVERNANCE COMMITTEE:

If the Board of the company feels that the Company is having large number of unlisted subsidiaries, including foreign subsidiaries, then it may monitor their governance through a dedicated group governance unit or Governance Committee comprising of the Board of Directors of the Company.

6. DISCLOSURES:

As prescribed under Regulation 46(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this policy shall be disclosed on the Company's website and a weblink thereto shall be provided in the Annual Report of the Company.

7. AMENDMENT:

7.1. The Board may on its own and/or as per the recommendations of the Audit Committee amend this Policy, as and when deemed fit. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant 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. .

- 7.2. Notwithstanding anything contained in this policy, the Company shall ensure compliance with any additional requirements as may be prescribed under any laws/regulations either existing or arising out of any amendment to such laws/regulations or otherwise and applicable to the Company, from time to time.
- 7.3. In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Agreement or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

Date: 24.01.2019
Place: New Delhi



Diwakar Nigam
Chairman & Managing Director