

MEGASOFT LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

As adopted by the Board of Directors

1. BACKGROUND

The Policy for determining Material Subsidiary companies has been framed in accordance with Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions (including any statutory enactments/ amendments thereof).

The purpose of this Policy is determination of Material Subsidiaries of Megasoft Limited and disclosure thereof as required under the SEBI Listing Regulations. The Policy also intends to ensure governance of material subsidiary companies by complying with directorship requirements, review of financial statements, bringing to the attention of the Board certain transactions/ arrangements, rules regarding disinvestment of shares held by the Company and restrictions on selling/ disposing/ leasing of assets of such subsidiaries by the Company.

2. APPLICABILITY

This Policy applies to Megasoft Limited and its Subsidiaries.

3. IDENTIFICATION OF MATERIAL SUBSIDIARY

The subsidiary shall be identified in terms of the provisions of SEBI Listing Regulations as applicable for each case. The Audit Committee shall, on an annual basis, review such details/information as may be required to determine the 'Material Subsidiaries'.

4. GUIDING PRINCIPLES

"Material Subsidiary" and "Unlisted Material Subsidiary" of the Company would be identified, if any, as a one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of the Company. The identification should happen soon after preparation of annual accounts and the outcome should be placed before the Audit Committee or Board, as the case may be, in the meeting where the annual audited accounts of the Company are considered.

5. INVESTMENTS IN SUBSIDIARIES

Approval of the Board is required to invest more than 10% of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year in a Subsidiary of the Company.

6. GOVERNANCE FRAMEWORK

- a. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the Unlisted Subsidiary Company.
- b. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.
- c. 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 Company.
- d. At least one Independent Director of the Company shall be a director on the Board of the *Unlisted Material Subsidiary Company

*“Unlisted Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year or such other entity as maybe identified as material subsidiary in accordance with SEBI Listing Regulations and any amendments thereof.

7. RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY BY THE COMPANY

The Company shall not dispose off shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to fifty percent (50%) or cease the exercise of control over the subsidiary without passing a special resolution in its general meeting except in such 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 exchanges within one day of the resolution plan being approved.

8. RESTRICTION ON DISPOSAL OF ASSETS OF MATERIAL SUBSIDIARY

Selling, disposing and leasing of assets amounting to more than twenty percent [20%] 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.

9. COMPLIANCE

The Board of Directors of the Company or any duly authorized committee thereof, subject to applicable laws, may amend, suspend, or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors or such committee in line with the broad intent of the Policy. The Board of Directors or such committee may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

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.

10. DISCLOSURES:

The Company shall disclose in its Board's report, details of this Policy as required under the Act and the Listing Regulations. This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Board's report.

11. LIMITATION AND AMENDMENT

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 Regulations 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.