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POLICY FOR DETERMINING ‘MATERIAL’ SUBSIDIARIES ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED

1. Scope and Objective of the Policy

Clause 49(V)(D) of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), mandates every listed Company to formulate a policy for determining “material” subsidiaries. To comply with this statutory requirement, Zicom Electronic Security Systems Limited (ZESSL) has formulated the policy for determining “material” subsidiaries (“Policy”), which shall be subject to the applicable statutory provisions, including the provisions of Clause 49 and other clauses and conditions of the Listing Agreement of the Company with Stock Exchanges, provisions of the Companies Act, 2013, any rules, regulations, guidelines, notifications and circulars of the Securities and Exchange Board of India, the Reserve Bank of India, and any other appropriate authority.

The objective of this Policy is to fix the threshold for determining “material” subsidiaries of ZESSL.

2. Threshold For Determining ‘Material’ Subsidiaries:

A subsidiary shall be considered as material subsidiary of ZESSL, if **any one** of the following conditions is satisfied:

- a. A subsidiary in which the investment of ZESSL exceeds **twenty per cent**, of the **consolidated Net worth*** of ZESSL.
- b. A subsidiary which has generated **twenty per cent**, of the **consolidated income*** of the ZESSL.

Material non-listed Indian Subsidiary shall mean a Subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges and whose:

- a. Net worth exceeds **twenty per cent**, of the **consolidated Net worth*** of ZESSL.
- b. Income exceeds **twenty per cent**, of the **consolidated income*** of ZESSL.

* The Net worth or income of ZESSL as above should be as per the consolidated audited Balance sheet for the previous financial year.

3. Conditions in respect of Material non-listed Indian Subsidiary Company:

One Independent Director of ZESSL shall be a director on the Board of the Material non-listed Indian Subsidiary Company.



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The Audit Committee of ZESSL shall review the financial statements and investments made in material non-listed subsidiary.

The Minutes of the Board Meeting of the material non-listed subsidiary shall be placed at the Board Meeting of ZESSL.

The management of ZESSL will periodically bring to the attention of the Board of Directors of ZESSL; a statement of all the significant transactions and arrangements entered into by the material subsidiary.

4. Conditions in respect of Material Subsidiary Company:

ZESSL, without the prior approval of the Members by Special Resolution, shall not:

- i. dispose of shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- ii. ceases the exercise of control over the Subsidiary; or
- iii. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year,

unless in cases where the divestment / sale / disposal / lease is made under a scheme of arrangement duly approved by a Court / Tribunal.

5. Amendments:

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

6. Interpretation:

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement or any other relevant legislation / law applicable to the Company.
