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POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

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A. Document Control

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Process Owner	Audit Committee
Approval By	Board of Directors

B. Revision History

Version	Date of issue	Reason for change
1	06/02/2018	Policy adopted
2	13/11/2018	Changes in Clauses as per amended Regulation
3	07/02/2023	Review of Policy
4	12/11/2025	Updation in Policy in line with amended regulation

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1. GENERAL:

Explanation to Regulation 16(c) SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“Listing Regulations”) **(including any statutory enactments/ amendments thereof from time to time)** requires a listed entity to formulate a policy for determining material subsidiary. The Explanation to the above regulation empowers the Board to define any additional criteria to decide a material subsidiary in the context of any peculiar position of the Company. Regulation 24 of the Listing Regulations mandates certain additional compliances in respect of material subsidiary companies.

In terms of the said requirements, the Board of Directors of the Company has formulated a policy for determining “material subsidiary” based on recommendation of Audit Committee. In view of the foregoing provision and other applicable regulations of the Listing Regulations, this policy defines the materiality of subsidiary(ies) and also intends to ensure its/ their governance on defined parameters, as required under the regulatory framework

Pursuant to regulation 46 (2) of the Listing Regulations, the listed entity is required to disclose the policy on material subsidiaries on its website and a web link thereto shall be provided in the Annual Report.

2. EFFECTIVE:

The Policy shall be effective from the date of listing of the Equity Securities of the Company.

3. DEFINITIONS:

“Act” means the Companies Act, 2013 including any statutory modifications or re-enactment thereof.

“Audit Committee” means the committee constituted by the Board of Directors of the Company in accordance with section 177 of the Act and Regulation 18 of the Listing Regulations

“Board of Directors” or “Board” means the Board of Directors of Varroc Engineering Limited; as constituted from time to time.

“Company” means Varroc Engineering Limited.

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“Holding Company”, in relation to one or more other Companies, means a Company of which such Companies are Subsidiary Companies.

“Independent Director” means a Director appointed on the Board of the Company as Independent Director not being a Whole-time Director and who is neither a promoter nor belongs to the promoter group of the Company and who fulfils the required criteria under the Section 149 of the Act and Regulations 16 (1) (b) of the Listing Regulations as applicable from time to time.

“Material Subsidiary” shall mean a subsidiary, which: turnover or net worth (i.e., paid up capital and free reserves) exceeds 10% of the consolidated turnover or net worth respectively, of the Listed Company and its subsidiaries in the immediately preceding accounting year or;

“Subsidiary Company” means Subsidiary Company as defined under Section 2(87) of the Act and the rules made there under.

“Significant transactions or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of total revenues or total expense or total assets or total liabilities, as the case maybe, of the unlisted subsidiary for the immediately preceding accounting year.

4. CORPORATE GOVERNANCE REQUIREMENTS WITH RESPECT TO MATERIAL UNLISTED SUBSIDIARY COMPANY:

- (i) At least one Independent Director on the Board of Directors of the listed entity shall be a Director on the Board of Directors of a Material Unlisted Subsidiary Company, whether incorporated in India, or not.

For this clause 4(i), notwithstanding anything to the contrary contained in regulation 16 (1)(c), the term “material subsidiary” shall mean a subsidiary, if its turnover or net worth exceeds 20% of the consolidated turnover or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

- (ii) The Audit Committee of the listed holding Company shall also review the financial statements of the Unlisted Subsidiary Company, and in particular the investments made by the Unlisted Subsidiary Company;
- (iii) The minutes of the board meetings of Unlisted Subsidiary Company shall be placed at the board meeting of the listed holding Company;

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- (iv) The Management shall periodically bring to the attention of the Board of Directors of the listed holding company a statement of all such Significant Transactions and arrangements entered by the Unlisted Subsidiary Company that 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(ies) for the immediately preceding accounting year, shall be presented for noting by the Board, at its meetings where half-yearly and annual accounts are placed for approval.
- (v) The Company shall not without the prior approval of the shareholders in General Meeting, by way of special resolution:
- dispose off 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, or;
 - Sell, dispose of and/ or lease assets amounting to more than twenty percent of the assets to the material subsidiary on an aggregate basis;
- Except in cases where such disinvestment/sale/disposal/lease is made under a scheme of arrangement duly approved by the 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.
- (vi) The Company and its unlisted material subsidiaries incorporated in India shall undertake Secretarial Audit and shall annex with its Annual Report, a Secretarial Audit Report, given by a Company Secretary in practice, in such a form as may be specified.

5. INTERPRETATIONS:

Any words used in this Policy but not defined herein shall have the same meaning attributed to it under the Companies Act, 2013 or Rules made there under, SEBI Act or rules and regulations made thereunder.

6. DISCLOSURE:

This Policy shall be placed on the Company's website and a web link shall be provided in the Annual Report.

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7. REVIEW AND AMENDMENTS

The policy has been approved by the Board of Directors of the Company. The Board and/or Audit Committee may, as and when it deems appropriate, review this policy. This policy is being formulated keeping in mind the applicable laws, rules, regulations, and standards in India. If there is an amendment in such laws, rules, regulations, and standards, then this Policy shall automatically stand amended to the extent of such amendment. **The Company Secretary being the Compliance Officer is also authorized to make amendment in this policy, where there are any statutory changes necessitating the amendment in the policy.** Conversely, if due to subsequent amendment in the statutory provisions this Policy or any part hereof becomes inconsistent, such amended statutory provisions shall prevail and this Policy shall be deemed to be amended to that extent or in the event of any conflict between the provisions of this Policy and the Listing Agreement or the Act or any other statutory enactments, rules, the provisions of such Listing Agreement/the Act/statutory enactments/ rules shall prevail over this Policy.

Date: 12/11/2025

Place: Aurangabad

CHAIRMAN OF AUDIT COMMITTEE