



## SONATA SOFTWARE LIMITED

### POLICY FOR DETERMINING MATERIAL SUBSIDIARY

#### PREFACE

The Board of Directors (the "Board") of Sonata Software Limited (the "Company") has adopted the following policy (the "Policy") with regard to determination of Material Subsidiaries of the Company.

This Policy has been formulated in accordance with the Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) (including any amendments thereof)

This Policy has been adopted and approved by the Board of Directors of the Company on 30 September 2014 and this date will be deemed to be the effective date of this Policy. The amendment to the Policy is approved by the Board at its meeting held on 8<sup>th</sup> February, 2019.

#### OBJECTIVE:

In view of the requirements referred to above and for enhancement of its commitment to better corporate governance, the Company has adopted a policy for determining its material subsidiaries (the "Policy"). The objective of the Policy is to determine the material subsidiaries of the Company and set out the governance framework for such material subsidiaries.

#### DEFINITIONS

**"Act"** means the Companies Act, 2013 and the rules made there under including any amendments made thereto;

**"Audit Committee"** means the Audit Committee constituted by the Board, from time to time, under the provisions of the Act and the LODR.

**"Board of Directors"** or **"Board"** means the Board of Directors of the Company, as constituted from time to time;

**"Company"** means Sonata Software Limited

**"Independent Director"** shall mean a director of the Company, other than a managing director or a whole-time director or a nominee director, and who satisfies the criteria for independence prescribed under the Act and the LODR;



**“Significant Transactions and Arrangements”** means 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 Company for the immediately preceding Accounting Year; and

**“Subsidiary Company”** means the Subsidiary Company as defined under the Companies Act, 2013 and the Rules made thereunder.

Any capitalized terms used but not defined in this Policy shall have the meaning given to them under the Act, the LODR, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 or any other applicable rules, guidelines and regulations prescribed there under.

#### **CRITERIA FOR DETERMINING MATERIAL SUBSIDIARIES**

A subsidiary shall be considered material subsidiary whose income or net worth (i.e. paid up capital and free reserves) exceeds ten percent of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

#### **GOVERNANCE OF MATERIAL SUBSIDIARIES**

##### **A. Compliances with respect to Material Subsidiaries**

- (i) 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.  
*Explanation - For the purposes of this clause, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.*
- (ii) The Audit Committee of the Company shall review the financial statements of its Unlisted Subsidiaries, in particular, the investments made by its Unlisted Subsidiary Company(s).
- (iii) The minutes of the meetings of Board of Directors of the Unlisted Subsidiary shall be placed at the meeting of the Board of Directors of the Company.



- (iv) The management of the Unlisted Subsidiary Company(s) shall periodically bring to the notice of the Board, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary Company(s).
- (v) The Company shall not, without the prior approval of its shareholders by way of a special resolution:
  - a) dispose of shares held in its Material Subsidiary(s) resulting in reduction of its shareholding (either on its own or together with other Subsidiaries) to less than fifty percent or ceases the exercise of control over the Subsidiary(s) except in cases where disinvestment 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
  - b) sell, dispose or lease assets amounting to more than twenty per cent of the assets of the Material Subsidiary on an aggregate basis during any financial year without prior approval of shareholders by way of special resolution, unless such sale, disposal or 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

#### **DISCLOSURES**

The Company shall disclose this Policy on the Company's website and a weblink to the same shall also be provided in the Annual Report of the Company.

#### **AMENDMENT**

The Board may on its own and/or as per the recommendations of the Audit Committee amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the rules, regulations, notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendments, clarifications, circulars etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendments, clarifications, circulars etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendments, clarifications, circulars etc.