



A. K. CAPITAL SERVICES LIMITED

CIN: L74899MH1993PLC274881

Policy for determining Material Subsidiaries

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This Policy shall be called “**Policy for Determining Material Subsidiaries**”.

1. OBJECTIVE:

- a. The objective of the Policy is to determine the Material Subsidiaries of A. K. Capital Services Limited (“**AKCSL**”) and to ensure governance of Material Subsidiary companies.
- b. The Policy is framed in accordance with the requirement of the Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) (including any amendments or re-enactment thereof).

This Policy may be amended from time to time and is subject to:

- (i) Amendments to the Companies Act, 2013 (“**Act**”);
- (ii) Further guidance from SEBI;
- (iii) Consequential actions taken by the Board of Directors or the Audit Committee of the Company;
- (iv) Amendments in the Listing Regulations and any circulars, notifications, guidelines, clarifications, or other directions issued by the SEBI from time to time.

2. DEFINITIONS:

All the words and expressions used in the Policy, unless defined hereafter, shall have meaning respectively assigned to them under Listing Regulations and in absence of its definition or explanation therein, as per the Act and Rules, Notifications and Circulars made/ issued thereunder, as amended, from time to time.

- a. “**Audit Committee**” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under Section 177 of the Act and Regulation 18 of Listing Regulations including any statutory modification(s) or re-enactment(s) thereof.
- b. “**Board of Directors**” or “**Board**” means the Board of Directors of A. K. Capital Services Limited, as constituted and amended from time to time.
- c. “**Company**” means A. K. Capital Services Limited (“**AKCSL**”)
- d. “**Independent Director**” means a director of the Company, as appointed in terms of Section 149 of the Act and who also satisfies the criteria of Independence as mentioned in the Act and Listing Regulations.
- e. “**material subsidiary**” shall mean a subsidiary as defined under Regulation 16(1)(c) of the Listing Regulations.
- f. “**Net worth**” means Net-worth as defined in sub-section (57) of section 2 of the Act.
- g. “**Policy**” means Policy for Determining Material Subsidiaries.

- h. **“Significant Transaction or Arrangement”** means any individual transaction or arrangement that exceeds or 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 for the immediately preceding accounting year.
- i. **“Subsidiary”** shall mean a Subsidiary as defined under Section 2(87) of the Act and the Rules made thereunder.

3. DETERMINATION OF MATERIAL SUBSIDIARY:

Based on the audited annual consolidated financial statements of the Company and its subsidiaries, a subsidiary of the Company shall be treated as a ‘material subsidiary’ if:

- a. The turnover of such subsidiary exceeds 10% of the consolidated turnover of the Company and its subsidiaries in the immediately preceding accounting year (the year to which the financial statements pertain to); or
- b. The net worth of such subsidiary exceeds 10% of the consolidated net worth of the Company and its subsidiaries in the immediately preceding accounting year (the year to which the financial statements pertain to).

Provided that in case of any amendment to the criteria of determination pursuant to any change in applicable law or interpretation thereof, the determining criteria mentioned above shall stand changed in accordance with the same.

4. GOVERNANCE FRAMEWORK:

- a. 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.

For the purposes of this requirement, the term “material subsidiary” means a subsidiary, whose 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.

- b. The Audit Committee of the AKCSL shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- c. The Minutes of the meetings of the Board of Directors of the unlisted subsidiaries shall be placed on a quarterly basis at the Board Meeting of AKCSL.
- d. The management of the unlisted subsidiary shall on a quarterly basis bring to the attention of the Board of Directors of AKCSL, a statement of all significant transactions or arrangements entered into by the unlisted subsidiaries.
- e. The Company shall disclose all events or information with respect to its Subsidiaries, which are material for the Company as defined/ determined in the Policy of Determination of Materiality in the manner as provided in the said Policy.

The Company shall place, on its website, the separate audited financial statements of each Subsidiary in respect of a relevant financial year, at least 21 days prior to the date of the annual general meeting of the Company which has been called to, inter alia, consider the accounts of that financial year.

- f. Where AKCSL has a listed subsidiary that is itself a holding company, the governance obligations in respect of such listed subsidiary's own subsidiaries shall be applied as follows:

the listed subsidiary has its equity shares listed, then Regulation 24 of the Listing Regulations, including sub-regulation (7), shall apply to that listed subsidiary in respect of its own subsidiaries. The 10% threshold under Regulation 16(1)(c) and the 20% threshold under the Explanation to Regulation 24(1) shall be applied with reference to the consolidated financials of that listed subsidiary, and not those of AKCSL.

If the listed subsidiary has only non-convertible debt securities listed and qualifies as a High Value Debt Listed Entity (currently, outstanding listed non-convertible debt of ₹5,000 crore or more, or such other threshold as SEBI may prescribe from time to time), then Chapter VA of the Listing Regulations shall apply to that listed subsidiary. In particular, Regulation 62L (corporate governance with respect to unlisted material subsidiary) and Regulation 62M (secretarial audit) shall govern the relationship between that listed subsidiary and its own subsidiaries. The threshold for determining a "material subsidiary" under the Explanation to Regulation 62L(1) is 20% of consolidated turnover or net worth.

If the listed subsidiary has only non-convertible debt securities listed but does not qualify as a High Value Debt Listed Entity, then Regulation 24 and Regulation 62L will not apply to that listed subsidiary in respect of its own subsidiaries. In such a case, AKCSL shall continue to exercise group-level oversight through this Policy and its allied policies, and the listed subsidiary shall comply with the governance obligations applicable to it under Chapter V of the Listing Regulations, the Companies Act, 2013, and the directions of its sectoral regulator (including the Reserve Bank of India in the case of an NBFC).

The Company Secretary or the Chief Financial Officer shall review the listed status of each subsidiary at least once every financial year, and shall bring any change in such status to the attention of the Audit Committee at its next meeting.

5. DISPOSAL OF MATERIAL SUBSIDIARY:

AKCSL, without the prior approval of the members by special resolution, shall not:

- a. dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other Subsidiaries) to less than or equal to 50%; or
- b. ceases the exercise of control over the Subsidiary; or

This provision will not be applicable in case where such 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 and Bankruptcy Code, 2016 and such an event is disclosed to therecognized stock exchanges within one day of the resolution plan being approved.

- c. 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 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 and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

However, the provisions of this sub-regulation shall not be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company.

6. SECRETARIAL AUDIT AND STATUTORY AUDITOR OF MATERIAL SUBSIDIARY:

Every Listed Company and its material unlisted subsidiaries incorporated in India shall undertake a secretarial audit and shall annex with the annual report of AKCSL, a secretarial audit report, given by a Peer-reviewed Company Secretary in practice. Such secretarial auditor shall be appointed in compliance with the provisions of Regulation 24A of the Listing Regulations, as updated from time to time.

7. DISCLOSURE:

This Policy on determining Material Subsidiary shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

8. AMENDMENTS:

The Board of Directors shall review this Policy at least once every three years, unless an early review is warranted. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

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.
