

IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED**POLICY ON MATERIAL SUBSIDIARIES****I. Preface:**

This Policy on Material Subsidiaries of IL&FS Engineering and Construction Company Limited has reference to Clause 49 (V) (D) of the Listing Agreement entered into by the Company with Stock Exchanges and shall be applicable to the Company and its subsidiaries, whether in India or outside India as mandated by the provisions of Listing Agreement.

II. Definitions

- a. "Act" shall mean the Companies Act, 2013 read together with rules made there under, as may be amended from time to time;
- b. "BSE" shall mean BSE Limited;
- c. "Company" shall mean IL&FS Engineering and Construction Company Limited;
- d. "Listing Agreement" shall mean the Agreement for Listing of Equity Shares entered into by the Company with BSE Limited and National Stock Exchange of India Limited;
- e. "NSE" shall mean the National Stock Exchange of India Limited;
- f. "SEBI" shall mean the Securities and Exchange Board of India;
- g. "Stock Exchanges" shall mean BSE Limited and National Stock Exchange of India Ltd. together;
- h. "Subsidiaries" shall mean the Companies, existing in India or outside India, unless otherwise stated, in which the Company holds more than one-half of the total share capital or exercises control in the composition of the Board of Directors;



- i. All other words or expressions used but not defined in the Policy, but defined in the Companies Act, 2013 read with rules made there under, the Listing Agreement, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the regulations made by SEBI shall have the same meaning as respectively assigned to them in such Acts, or rules or regulations, including any statutory amendments or re-enactments made thereto;

III. Material Subsidiaries:

A Subsidiary shall be considered material if the investment of the Company in Subsidiary exceeds twenty per cent of its consolidated net worth as per the Audited Balance Sheet of the previous Financial Year or if the Subsidiary has generated income twenty per cent or more of the consolidated income of the Company during the previous Financial Year.

IV. Policy:

- 1) At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of a Material Non-listed Indian Subsidiary company.

For this purpose, the Independent Director longest on the Board of the Company, subject to the maximum number of Directorships and disqualifications as provided in the Act, shall be nominated to act as Director on the Board of the Material non-listed Indian Subsidiary. In case, the said Independent Director is not eligible or is not willing to act as Director on the Board of Subsidiary Company, the Board of Directors of the Company may nominate any other Independent Director at its choice on the Board of the Material non-listed Indian Subsidiary Company.

Explanation: For the purpose of this clause alone, the term "Material non-listed Indian Subsidiary" shall mean an unlisted Subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed Holding Company and its Subsidiaries in the immediately preceding accounting year.

- 2) The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Company. 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.



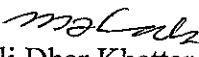

Explanation: the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the material unlisted Subsidiary for the immediately preceding accounting year.

- 3) The company shall not dispose of 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 without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- 4) Selling, disposing and leasing of assets amounting to more than twenty percent 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.

V. Disclosure:

This policy has been approved by the Board of Directors of the Company in the meeting held on November 10, 2014.

For and on behalf of the Board of
IL&FS Engineering and Construction Company Limited


 Murli Dhar Khattar
Managing Director