

OIL AND NATURAL GAS CORPORATION LIMITED

(CIN: L74899DL1993GOI054155)

Regd Office: Jeevan Bharati Building, Tower-II,
124 Indira Chowk, 8th Floor, New Delhi-110001

Material Subsidiary Policy

1.0 INTRODUCTION:

The Board of Directors ("Board") of **Oil and Natural Gas Corporation Limited** ("Company") has approved this policy with respect to the determination of Material Subsidiaries to comply with the Listing Agreement and Department of Public Enterprises (DPE) Guidelines in this regard. This Policy has been formulated in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges.

ONGC has three direct subsidiaries (a) ONGC Videsh Ltd. (ONGC Videsh) - a wholly owned subsidiary (b) Mangalore Refinery and Petrochemicals Limited (MRPL) (c) ONGC Mangalore Petrochemicals Ltd(OMPL). The debt of ONGC Videsh and equity of MRPL is listed on Stock Exchange whereas OMPL is an unlisted subsidiary. This policy shall not apply to subsidiaries of ONGC Videsh Ltd. which are incorporated outside India and not covered under section 2(42) of the Companies Act, 2013.

2.0 DEFINITIONS

- I. **"Act"** means Companies Act, 2013 & Rules made there-under.
- II. **"Holding Company"** in relation to one or more other companies, means a company of which such companies are subsidiaries companies.
- III. **"Subsidiary Company"** in relation to any other company (that is to say the holding company), means a company in which the holding company-
 - i. Controls the composition of the Board of Directors; or
 - ii. Exercises or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies;

Explanation- For the purpose of this definition,-

- a. A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in clause (i) or (ii) above is of another subsidiary company of the holding company;
- b. The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- c. The expression "company" includes any body corporate;
- d. "layer" in relation to a holding company means its subsidiary or subsidiaries

III A In addition the following definition of subsidiary shall also be taken into account

Definition under AS-21:

A subsidiary is an enterprise that is controlled by another enterprise (known as the parent)

Control:(a) the ownership, directly or indirectly through subsidiary(ies), **of more than one-half of the voting power of an enterprise; or**

(b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.

Definition under Ind AS-21

An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee

Thus, an investor **controls** an investee if and only if the investor has all the following:

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee

(c) the ability to use its power over the investee to affect the amount of the investor's returns

- IV. **"Material subsidiary"** A subsidiary shall be considered as material if the investment of the company in the 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 twenty per cent of the consolidated income of the company during the previous financial year.

- V. **“Material non-listed Indian subsidiary”** means an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital & free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company & its subsidiaries in the immediately preceding accounting year.
- VI. **“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 material unlisted subsidiary for the immediately preceding accounting year.

3.0 OBJECTIVE:

With a view to comply with Clause 49 of the Listing Agreement, DPE guidelines and Companies Act 2013 this policy has been framed for determining ‘material’ subsidiaries and to regulate the significant transactions, so that the same can be disclosed on the company's website and a web link thereto provided in the Annual Report of the Company.

This policy is meant to ascertain the status of its own subsidiaries as well as subsidiaries of subsidiaries, at the end of every Financial Year whether they are falling under the category of Material Subsidiary or not.

4.0 DETERMINING FACTORS OF MATERIALITY

The following are the criteria to decide the subsidiary as Material Subsidiary

- (i) if the investment of ONGC in any of the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or
- (ii) If any of the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

5.0 FREQUENCY OF MATERIALITY TEST

The materiality test shall be applied every Financial Year considering the determining factors mentioned at Para 4.0 or any subsequent amendment thereof due to change in

Listing Agreement /Companies Act, 2013 or Accounting Standard, at the time of Finalization of Annual Accounts of the Company. Disclosures required, if any, under the Companies Act, 2013, Accounting Standards, Listing Agreement will be made in the Annual Report of the Company.

6.0 AMENDMENT

The Board of Directors may review or amend this policy, in whole or in part, from time to time as per the requirement of the Act or any other statute.

7.0 INTERPRETATION

Any word used in this policy but not defined herein shall have same meaning as defined in the Companies Act 2013 or Rules made there-under, SEBI Act, Rules & Regulations made there-under, Listing Agreement or any other relevant legislation /law applicable to the Company.

8.0 EFFECTIVE DATE:

The policy came into effect from 20.03.2015 i.e the date of approval by the Board of Directors. The Policy shall be hosted on the website of the Company. Further, a web link shall be provided in the Annual Report of the Company.

9.0 DISCLAIMER:

This policy is subject to the extant provisions of the Companies Act, 2013 and Rules thereunder, circulars issued by the Ministry of Corporate Affairs from time to time, DPE Guidelines, Listing Agreement and SEBI guidelines.

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