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भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

SEBI/CFD/CMD2/TC/OW/P/2020/3207/1
January 24, 2020

To,
AGC Networks Limited
Equinox Business Park, Tower-1
Off BKC, LBR Road, Kurla West,
Mumbai-400070

Kind Attention: Shri Aditya Goswami, Company Secretary

Dear Sir,

Sub: Request for Informal Guidance by way of an interpretive letter under the provisions of SEBI (Informal Guidance) Scheme, 2003 with respect to Regulation 24 read with Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. This has reference to your letter dated November 25, 2019 requesting for an informal guidance in the form of an interpretative letter under the provisions of the SEBI (Informal Guidance) Scheme, 2003 ("**Scheme**"), in connection with the compliance of the provisions of Regulation 24 read with Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**" and "**LODR**").
2. In your letter under reference, you have, *inter alia*, represented as under:
 - a. AGC Networks Limited ("**ANL**" or "**Company**") is a public listed company incorporated under the provisions of the erstwhile Companies Act, 1956 and existing company under Companies Act, 2013. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited. The Company currently has 65 subsidiaries spread across the globe as on March 31, 2019.
 - b. Further, you have mentioned the definition of Material subsidiary under following regulations:

16(1)(c) of SEBI (LODR) –

"Material subsidiary" shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
Explanation- The listed entity shall formulate a policy for determining 'material' subsidiary.



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Reg 24 (1) of SEBI (LODR) Regulations –

(1) At least one independent director on the board of directors of the listed entity 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 provision, notwithstanding anything to the contrary contained in regulation 16, 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 listed entity and its subsidiaries in the immediately preceding accounting year.]

- c. While identifying the Material Subsidiaries, the management has considered Income and Net worth criteria as provided under the Regulations. The Net worth criteria has been considered in the following manner for all the subsidiaries:

Total Assets – Total Liabilities – Immediate Holding Company Investments = Net Worth of the Particular Subsidiary

- d. The management has identified three Material Subsidiaries and appointed Independent Directors in them. The management intends to ensure that the methodology of calculation considered by the company is appropriate.
3. In view of the above, you have sought informal guidance by way an interpretative letter on above calculation and working for ascertaining the Material Subsidiary based on Net worth criteria.
4. We have considered the submissions made by you in your letter under reference and without necessarily agreeing with your analysis and without commenting on the manner of computation as applied by you, our views in respect of the guidance sought by you are as under:

With respect to your query, the word ‘Net worth’ has been defined in SEBI (LODR) under regulation 2(1)(s) as under:

“net worth” means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.

Net worth as defined in Section 2 (57) of Companies Act, 2013:

“net worth” means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.



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5. Therefore, identification of subsidiaries as material, for the purpose of compliance with LODR Regulations, based on net worth may be done in accordance with the definition of net worth as provided under section 2(57) of Companies Act, 2013, including the deductibles mentioned therein.
6. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different result. Further, this letter does not express a decision of the Board on the questions referred.
7. You may also note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to Listing Regulations and does not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or the laws administered by any other authority.

Yours faithfully,

TVVPS Chakravarti T.