# POLICY ON DETERMINING MATERIAL SUBSIDIARIES

# OF

# SAEL INDUSTRIES LIMITED

## TABLE OF CONTENTS

**DEFINITIONS AND INTERPRETATION** ..... **3**

**1. Definitions** . . . . . 3

**INTRODUCTION** ..... **5**

**2. Purpose of the Policy** . . . . . 5

**DETERMINING MATERIAL SUBSIDIARIES** ..... **6**

**3. Independent Director on the Board of unlisted Material Subsidiary** . . . . . 6

**4. Significant Transactions/ Arrangements of unlisted Material Subsidiaries** . . . . 6

**5. Restriction on Disposal of Shares of Material Subsidiary by the Company** . . . . 6

**6. Restriction on Disposal of Assets of Material Subsidiary** . . . . . 6

**7. Reporting and Disclosure** . . . . . 6

**8. Review & Amendment of the Policy** . . . . . 6

**9. Conflict in Policy** . . . . . 6

## DEFINITIONS AND INTERPRETATION

### 1. Definitions

**"Applicable Laws"** shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder; as amended from time to time and such other act, rules or regulations which deal with the determination, identification and governance of Material Subsidiaries.

**"Audit Committee"** means the audit committee constituted by the Board of Directors of the Company from time to time under Section 177 of the Companies Act, 2013 and the provisions of the Listing Regulations.

**"Board"** or **"Board of Directors"** means the Board of the Directors of the Company.

**"Company"** means SAEL Industries Limited.

**"Control"** includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder agreements or voting agreements or in any other manner.

**"Directors"** means all the directors on the Board of the Company.

**"Independent Director"** means a non- executive Director of the Company, other than a Nominee Director and who is neither a promoter nor belongs to the promoter group of the company, and who satisfies other criteria for independence mentioned in the section 149(6) Companies Act, 2013 and regulation 16(b) of the Listing Regulations.

**"Listing Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

**"Material Subsidiary"** means a subsidiary of the Company whose turnover or net worth exceeds 10% of the consolidated turnover or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

**"Policy"** means this policy on determining Material Subsidiaries of the Company.

**"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.

**"Subsidiary"** shall mean as defined under section 2 (87) of t the Companies Act, 2013 Act and the Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contract (Regulation) Act, 1956 or any other applicable law or regulation, as amended from time to time.

## INTRODUCTION

### 2. Purpose of the Policy

This Policy sets out to determine the criteria for identification of a 'Material Subsidiary', and disclosure thereof as required under the Listing Regulations. This Policy also intends to *inter alia*, ensure governance of Material Subsidiary companies by complying with directorship requirements, review of financial statements, bringing to the attention of the Board certain transactions/ arrangements, rules regarding disinvestment of shares held by the Company, as well as restrictions on selling/ disposing/ leasing of assets of such subsidiaries by the Company.

The objective of this Policy is to determine:

(a) meaning of Material Subsidiary;
(b) requirement of Independent Director in certain unlisted Material Subsidiaries, incorporated in India or not;
(c) Restriction on disposal of shares of Material Subsidiary by the Company;
(d) Restriction on disposal of assets of Material Subsidiary; and
(e) disclosure requirements, under the Listing Regulations, as amended, and any other laws and regulations as may be applicable to the Company.

## DETERMINING MATERIAL SUBSIDIARIES

### 3. Independent Director on the Board of unlisted Material Subsidiary

At least one Independent Director on the Board of the Company shall be a director on the board of directors of the unlisted Material Subsidiary, whether incorporated in India or not.

For the purposes of this provision, notwithstanding anything to the contrary contained above, the term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds 20 percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding financial year.

### 4. Significant Transactions/ Arrangements of unlisted Material Subsidiaries

The management of the unlisted Material Subsidiary should periodically submit to the Board a statement of all Significant Transactions and Arrangements entered into by the unlisted Material Subsidiary.

### 5. Restriction on Disposal of Shares of Material Subsidiary by the Company

The Company shall not dispose of shares in its Material Subsidiary which would reduce its shareholding in the Material Subsidiary (either on its own or together with other subsidiaries) to less than or equal to fifty percent (50%) or cease the exercise of control over the Material Subsidiary without passing a special resolution in its general meeting except in such cases where 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 the recognized stock exchanges within one day of the resolution plan being approved.

### 6. Restriction on Disposal of Assets of Material Subsidiary

Selling, disposing and leasing of assets amounting to more than twenty percent [20%] 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 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.

### 7. Reporting and Disclosure

This Policy shall be disclosed on the Company’s website.

### 8. Review & Amendment of the Policy

This Policy shall be subject to review and amend by the Board of Directors as deemed necessary in accordance with any regulatory changes.

### 9. Conflict in Policy

In the event of any conflict between this Policy and the provisions contained in the Applicable Laws, the provisions of Applicable Laws shall prevail.