

Elecon Engineering Company Limited

Anand - Sojitra Road, Vallabh Vidyanagar – 388120, Gujarat, India



Policy on Determining Material Subsidiaries

1. Preface:

The Board of Directors (The “Board”) of Elecon Engineering Company Limited (the “Company”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below.

This Policy is applicable to the Company in terms of Regulation 16 (1)(c) of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

The Company is required to disclose the Policy on its website and a web link thereto shall be provided in the Annual Report.

2. Objective:

This Policy has been framed to determine the Material Subsidiaries of Elecon Engineering Company Limited and to provide the governance framework for such Subsidiaries.

3. Definitions:

- 1) **“Act”** means Companies Act, 2013 including any statutory modification or re-enactment thereof.
- 2) **“Audit Committee or Committee”** means Audit Committee constituted by the Board of Directors of the Company, from time to time under the provisions of SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015, and/or the Companies Act, 2013.
- 3) **“Board of Directors” or “Board”** means the Board of Directors of Elecon Engineering Company Limited, as constituted from time to time.
- 4) **“Company”** means Elecon Engineering Company Limited.
- 5) **“Control”** shall include 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.
- 6) **“Holding Company”** means Holding Company as defined under Section 2 (46) of the Act.

- 7) **“Independent Director”** means a Director of the Company, not being a whole time Director who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence as laid down under Section 149 (6) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.
- 8) **“Listing Regulations”** shall mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 9) **“Policy”** means this Policy on Material Subsidiary and as may be amended from time to time.
- 10) **“Subsidiary”** shall be as defined under Section 2(87) of the Companies Act, 2013 and the Rules made thereunder.

All the Words and expressions used in this Policy, unless defined hereinafter, shall have meanings respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended from time to time.

4. Criteria for determining Material Subsidiary / Unlisted Material Indian Subsidiary:

- i. A subsidiary shall be considered as “Material Subsidiary if its 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.
- ii. A “ Unlisted Material Indian Subsidiary” shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 10 percent of the Consolidated income or net worth respectively, of the company and its subsidiaries in the immediately preceding accounting year.

Compliance:

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. Only for the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 (1) (c), 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.

- iii. The Audit Committee shall also review the financial statements, in particular, the investments made by the unlisted subsidiary of the Company.

- iv. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Company at regular intervals.

5. Disposal of Material Subsidiary / Assets of Material Subsidiary:

The Company shall not dispose of the shares in its material subsidiary which would reduce the Company 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 or arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

The Company shall not sell, dispose off and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year without prior approval of the 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

6. Review of Significant transaction and arrangements entered into by Unlisted Subsidiary Company:

The management of the Unlisted Subsidiary should 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.

For the purpose of this sub-clause, the terms “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10 percent 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.

7. Amendments:

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.

The said policy has been amended by the Board of Directors of the Company at its meeting held on 07.02.2019.