



Policy on Material Subsidiaries

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1. Introduction & Purpose:

The Board of Directors (the “Board”) of Electrotherm (India) Ltd. (the “Company”) has adopted the following policy and procedures with regard to determination of material subsidiaries, in line with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including amendments thereof, if any). The purpose of this policy is to determine material subsidiaries of the Company and to provide governance framework for such subsidiaries of the Company.

2. Applicability and Governing Law:

This policy will be applicable to the Company with effect from 1st April, 2019.

This Policy on Material Subsidiaries shall be governed by the Companies Act, 2013 read with Rules made there under, as may be in force for the time being as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or such other Rules / Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

3. Key Definitions:

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

“**Material Subsidiary**” shall mean a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

“**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 unlisted subsidiary for the immediately preceding accounting year.

“**Subsidiary**” shall be as defined under the Companies Act, 2013 and the Rules made there under. The Companies Act, 2013 defines the term “Subsidiary Company” or “Subsidiary” 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 purposes of this clause,—

- a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) 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 anybody corporate;

4. Policy on Material Subsidiaries:

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.

Explanation: For the purposes of above clause, notwithstanding anything to the contrary contained in clause no. 3, the term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year."

The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company. The minutes of the Meetings of the Board of Directors of the unlisted subsidiary company the Company, shall be placed before the Board of the Company.

The management shall of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company.

5. Disposal of Material Subsidiaries:

- a) The Company shall not dispose shares in its Material Subsidiary resulting in reduction of 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, 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; or
- b) Selling, disposing and leasing of the 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 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. Secretarial Audit.

Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a

company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019

7. **Disclosures:**

This policy shall also be uploaded on the website of the Company at www.electrotherm.com and a weblink thereto shall be provided in the Annual Report of the Company.

8. **Policy Review:**

The policy subject to review as may be deemed necessary and in accordance with any regulatory amendments.

This policy has been modified and approved by the Board of Directors of the Company in their meeting held on 13th February, 2019 would be effective from 1st April, 2019
