

# MATERIAL SUBSIDIARY POLICY



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### PREAMBLE:

Securities Exchange Board of India (SEBI) has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 effective 1<sup>st</sup> Dec 2015. Reg. 16 (1) (2) of the SEBI (LODR) Reg 2015 (the Listing Regulations) requires all listed companies to formulate a policy for determining 'material subsidiaries'.

The Board of Directors (the "Board") of India Nippon Electricals Ltd., (the "Company" or "INEL"), has, therefore, adopted the following Policy and procedures with regard to determination of Material Subsidiaries, as defined in this Policy.

### 1. Objective :

- 1.1 This Policy is framed, in accordance with the requirement of Listing Regulations (including any statutory enactments/ amendments thereof) intended to ensure governance of material subsidiary companies.
- 1.2 The Company is required to disclose the policy in its Annual Report as well as to the stock exchanges.

### 2. Definitions:

Consolidated Income or Networth means the total income or networth of the Company and its subsidiaries.

Material unlisted Indian subsidiary means a material subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges.

Material subsidiary includes a subsidiary incorporated outside India.

Significant transactions and arrangements shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenue 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.

Words and expressions used in this Policy shall have the same meanings respectively assigned to them in the Companies Act 2013, SEBI (LODR) Reg. 2015, and / or any other applicable rule, regulations as the context may require.



## India Nippon Electricals Ltd

### 3. Criteria for determining the Material subsidiaries:

- 3.1 A subsidiary shall be a Material Subsidiary for the financial year, if the income or networth of such subsidiary exceeds twenty percent of the consolidated income or networth respectively of the listed entity and its subsidiaries in the immediately preceding accounting year.
- 3.2 Networth or consolidated income, as the case may be, shall be as per the audited balance sheet of the previous financial year.
- 3.3 The Audit Committee to annually review the list of subsidiaries together with the details of the materiality defined herein, atleast once a year.

### 4. Governance of Material subsidiaries:

- 4.1 At least one Independent Director of the Company shall be a director on the Board of the material non-listed Indian subsidiary company (subsidiary company).
- 4.2 The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the subsidiary company.
- 4.3 The minutes of the Board Meetings of the subsidiary company be placed before the Board of the Company.
- 4.4 Board of Directors of the Company, review all the significant transactions and arrangements entered into by the subsidiary company.
- 4.5 On the recommendation of the Nomination and Remuneration Committee of the Company, the Board may appoint such number of Independent Directors in the unlisted material subsidiary company.
- 4.6 The Company, without the prior approval of the members by Special Resolution, shall not:
  - a. dispose the shares held in material subsidiaries which would reduce the Company's shareholding (either on its own or together with other subsidiaries) to less than 50%; or
  - b. ceases the exercise of control over the material subsidiary; or
  - c. sell, dispose or lease of the assets amounting to more than 20% of the assets of the material subsidiary

### 5. Amendments:

This Policy may be amended by the Board at any time suo moto and / or pursuant to amendments to the Companies Act, 2013 (the Act 2013) and (ii) further guidelines and enactments by the SEBI, including Listing Regulations.

### 6. Disclosures:

The Policy for determining material subsidiaries is to be disclosed to the Stock Exchanges and in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at [www.indianippon.com](http://www.indianippon.com).

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