



## **POLICY FOR DETERMINING MATERIAL SUBSIDIARY**

**(Version 1.2 duly approved by Board of Directors in its meeting held on 12.02.2016)**

Lloyd Electric & Engineering Limited

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## **1. PREAMBLE**

In accordance with the requirements of Regulation 16(c) of the Securities & Exchange Board of India (Listing Obligations and Disclosures Requirements), Regulations, 2015 (“Listing Regulations”), the listed entity shall formulate a policy for determining material subsidiary.

## **2. PURPOSE OF THE POLICY**

The Company had already in place the “policy on determining material subsidiary of the Company” as per the clause 49 of the erstwhile Listing Agreement. However, the Board of Directors had, in its meeting held on February 12, 2016, adopted a new policy in consonance of recently notified Listing Regulations.

## **3. IDENTIFICATION OF MATERIAL SUBSIDIARY**

A subsidiary shall be considered “Material” if the income or net worth of the subsidiary exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

## **4. GOVERNANCE FRAMEWORK**

- a) 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, incorporated in India.
- b) The audit committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary
- c) The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the Company. In case of unlisted foreign subsidiary company subject to the laws of the land governing the entity.
- d) The management 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.

Explanation.- For the purpose of this regulation, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total



liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.

- e) The Company shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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.
- f) Selling, disposing and leasing of 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 shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

## **5. DISCLOSURE**

The Company shall display the Policy on its website and a web link thereto shall be provided in the Annual Report of the Company.

## **6. AMENDMENTS TO THE POLICY**

Any subsequent amendment/modification in the Listing Regulations and/or other applicable laws in this regard shall automatically apply to this Policy. The Board of Directors shall review and may amend this policy from time to time.

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