

## **POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARY**

### **1. Introduction**

The Board of Directors (the "Board") of Munjal Auto Industries Limited (the "Company") has adopted the following policy and procedures with regard to determination of Material Subsidiary. The Board may review and amend this policy from time to time. This Policy will be applicable to the Company effective April 01, 2019.

Regulation 16 (1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") require the Company to formulate a policy for determining 'material' subsidiary and Regulation 46(2)(h) of the Listing Regulations requires the Company to publish such policy on its website.

All words and expressions used in this Policy, unless defined hereafter, shall have same meaning respectively assigned to them under The Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 ("Act") and the Rules, Notifications and Circulars issued thereunder, as amended from time to time.

The Audit Committee shall review the policy periodically and may recommend amendment in the same from time to time, as may be deemed necessary.

### **2. Policy Objective**

The objective of this Policy is to set forth the criteria towards ascertaining Material Subsidiary of the Company and to provide a governance framework for such material subsidiaries.

### **3. Definitions**

"Audit Committee or The Committee" means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of the Listing Regulations and The Act.

"Board of Directors" or "Board" means the Board of Directors of the Company, as constituted from time to time.

"The Company" means a company incorporated under the Companies Act, 2013 or under any previous company law.

"Independent Director" means a Director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Act and the Listing Regulations.

"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 as defined under the Listing Regulations".

"Policy" means Policy for determining 'Material' Subsidiary.

"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 as defined under the Listing Regulations"

"Subsidiary" shall be as defined under the Act and the Rules made thereunder.

For determining 'Material' Subsidiary:

Material Subsidiary shall be determined on the basis of Prevailing definition of 'Material Subsidiary' under the Listing Regulations from time to time.

#### **4. Policy for governance framework of the material subsidiary**

- a. At least one Independent Director of the Company shall be a director on the Board of an unlisted material Subsidiary, whether incorporated in India or not.
- b. The Company and its material unlisted subsidiary (ies) 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 the prescribed form.

*For the purposes of abovementioned point no. 'a' and 'b', material subsidiary shall mean a subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed Company and its subsidiaries in the immediately preceding accounting year.*

- c. The Audit Committee of Board of the listed Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- d. The minutes of the Board Meetings of the Unlisted Subsidiary Company shall be placed before the Board of the listed Company.
- e. The management of the unlisted subsidiary shall on a periodical basis bring to the attention of the Board of Directors of the listed Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company.
- f. The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of Independent Director on the Board of Directors of the Material Non-Listed Indian Subsidiary.

#### **5. Disposal of Material Subsidiary**

The Company, without the prior approval of the members by Special Resolution, shall not:

- a. dispose of shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or ceases the exercise of control over the Subsidiary 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 and bankruptcy code (IBC) and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved;
- b. sell, dispose of or lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year 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 IBC and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

#### **6. Disclosures**

The Policy for determining material subsidiaries shall be disclosed on the Company's website [www.munjalauto.com](http://www.munjalauto.com) and a web link thereto shall be provided in the Annual Report.