

	<b>Finance Policy</b>		Doc. No.	JBMA-FIN-13
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	<b>POLICY FOR DETERMINING MATERIAL SUBSIDIARIES</b>		Rev Frequency	As & When Required
			Doc Owner	Secretarial Department
			Approved By	Board of Directors

## **POLICY FOR DETERMINING “MATERIAL” SUBSIDIARIES**

### **1. INTRODUCTION**

The Board of Directors (the “Board”) of JBM Auto Limited (the “Company”), a holding Company of various subsidiary Companies, has adopted this policy for determining, inter-alia, a ‘**Material**’ Subsidiary.

This Policy is primarily based on the revised Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges (“the LA”) and is primarily intended to ensure compliance with the LA.

### **2. DEFINITIONS**

- i. **“Act”** Act means Companies Act, 2013 & the Rules made there under.
- ii. **“Audit Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and the Companies Act, 2013 or any other previous Laws.
- iii. **“Board of Directors” or “Board”** means Board of Directors of the Company, as constituted from time to time.
- iv. **“Holding Company”** Holding company in relation to one or more other companies, means a company of which such companies are subsidiary companies.
- v. **“Independent Director”** means an Independent Director referred to in Section 149(6) of the Companies Act, 2013 and Clause 49 of the LA.
- vi. **“Material Subsidiary”** a subsidiary shall be considered as material if the investment of the Company in subsidiary exceeds twenty percent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty percent of the consolidated income of the company during the previous financial year.
- vii. **“Material Non-Listed Indian Subsidiary”** shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.
- viii. **“Significant Transaction or Arrangement”** means 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 material unlisted subsidiary for the immediately preceding accounting year.

ix. **“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 purpose of this definition –

- (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 any body corporate;

### **3. POLICY**

#### **3.1 (A) Identification of material subsidiary company**

A subsidiary company shall be considered as material if the investment of the Company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the Company during the previous financial year.

#### **(B) Identification of material non-listed Indian subsidiary**

A subsidiary shall be considered to be a material non-listed Indian subsidiary if it is an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

#### **3.2 Compliances with respect to subsidiary companies (including material subsidiary companies and material non-listed Indian subsidiary companies)**

- i. The Audit Committee of the Company shall review the financial statements of Subsidiary Companies and, in particular, the investments made by the unlisted subsidiary company.
- ii. The minutes of the Board meetings of the unlisted subsidiary companies shall be placed at the Board meeting of the Company. The management of the Company shall 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 companies.
- iii. Subsidiary company shall not either by its own or through its nominees, holds any shares in its holding company and no holding company shall allot or transfer its shares to any of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company shall be void.

Nothing contained in this clause, shall apply to a case:-

- Where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or
  - Where the subsidiary company holds such shares as a trustee; or
  - Where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company.
- iv. The company shall not directly / indirectly purchase its own shares or other specified securities through any subsidiary company including its own subsidiary companies;
- v. The company shall include particulars of its subsidiary companies in its annual return;
- vi. The company shall also attach along statement with its financial, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries;
- vii. The company shall place separate audited accounts in respect of each of its subsidiary on its website, if any, and shall provide the copy of such audited financial statements to any shareholder of the company who asks for it.

### **3.3 Compliances with respect to material subsidiary companies**

- i. The Company shall not dispose of shares in its material subsidiary which would reduce 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.
- ii. Selling, disposing and leasing of assets amounting to more than 20% 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.

### **3.4 Compliances with respect to material non-listed Indian subsidiary companies**

At least one independent director on the Board of the Company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.

## **4. DISCLOSURES**

The Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.

## **5. AMENDMENT**

The Policy may be amended by the Board from time to time as and when deemed appropriate.

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