

# ADOR WELDING LIMITED



## POLICY FOR DETERMINING MATERIAL SUBSIDIARY

*[Pursuant to the provisions of Clause 49 of the Listing Agreement]*

### 1. PURPOSE

The policy is framed by the Company pursuant to clause 49 (V)(D) of the Listing Agreement to ensure compliance.

The Policy will come into effect from 01<sup>st</sup> October, 2014.

### 2. DEFINITIONS

- a) **"The Act"** means the Companies Act, 2013, including any statutory modification(s) or re-enactment thereof.
- b) **"Subsidiary Company"** is as defined under Section 2(87) of the Act.
- c) **"Holding Company"** is as defined under Section 2(46) of the Act.
- d) **"AWL"** means Ador Welding Limited.
- e) **"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 AWL and its subsidiaries in the immediately preceding accounting year - As given in explanation (i) to Clause 49(V).
- f) **"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 material unlisted subsidiary for immediately preceding accounting year- As given in explanation (ii) to clause 49 (V).

### 3. BASIS OF DETERMINING "MATERIAL SUBSIDIARY"

The basis of determining "Material Subsidiary" will be as specified in relevant sub-clause/s of Clause 49 of the Equity Listing Agreement, executed with the Stock Exchanges.

A Subsidiary shall be considered as material in the following cases:

- a) investment of AWL in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited Balance Sheet of the previous financial year, or

- b) if the Subsidiary has generated 20% of the consolidated income of AWL during the previous financial year.

#### **4. IMPLEMENTATION AND APPROVAL PROCESS**

- a) At least one Independent Director of AWL(the Holding Company) will be appointed as a director on the Board of Directors of a “material non - listed Indian subsidiary Company”, as and when applicable – as per clause 49 (V) (A)
- b) AWL will not dispose of shares in its “material subsidiary” which would reduce AWL’s 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) – as per Clause 49(V)(F) of the Listing Agreement
- c) Prior approval of the Shareholders of AWL by way of a Special Resolution will be obtained for sale, disposal of and leasing of assets amounting to more than 20% of the “material subsidiary” on an aggregate basis during the financial year (exception being if the sale / disposal / lease is made under a Scheme of Arrangement duly approved by a Court/ Tribunal) – as per clause 49 (V) (G).
- d) In the event, subsidiary of AWL becomes a listed subsidiary, which itself is a holding company, then this policy shall apply to the listed subsidiary insofar as its subsidiaries are concerned.
- e) The management of AWL should periodically bring to the attention of the Board of Directors of AWL, a statement of all significant transactions and arrangements entered into by a “material unlisted subsidiary company”, if any.

#### **5. REVIEW AND CHANGES TO THIS POLICY**

- i. The Audit Committee will review this Policy as often as it considers necessary;
- ii. The Board may change this Policy from time to time by resolution.

#### **6. APPROVED AND ADOPTED**

This Policy was approved by the Board and the Audit Committee on Monday, 10<sup>th</sup> November 2014.