

KINETIC ENGINEERING LIMITED

POLICY FOR DETERMINATION OF MATERIAL SUBSIDIARY



KINETIC

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Regd Add: D1 Block, Plot No.18/2, Chinchwad, Pune 411019 **CIN:** L35912MH1970PLC014819
Email ID: kelinvestors@kineticindia.com **Tele No:** 020 6614 2049 **Website:** kineticindia.com

1. INTRODUCTION

The Securities and Exchange Board of India ("SEBI"), vide its Notification dated September 2, 2015, has issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("LODR"). The Regulations come into force from December 1, 2015. As per the Regulation 16 (C) read with Regulation 24 of the LODR (as amended from time to time), the Board of Directors ("Board") of Kinetic Engineering Limited ("Company") is required to frame a policy for determining material subsidiary under various applicable listing regulations.

2. APPLICABILITY

The Board has, at their meeting discussed and approved this policy for determination of material Subsidiary ("Materiality Policy").

3. PURPOSE

The objective of the Policy is to determine material subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

4. DEFINITIONS

- a) "Act" means the Companies Act, 2013 including any statutory modification or re-enactment thereof.
- b) "Applicable Law" means any law, rules, circulars, guidelines or regulations issued by the Securities and Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA) , The Institute of Company Secretaries of India (ICSI) and other professional bodies under which the preservation of documents has been prescribed.
- c) "Board" means the Board of the Directors of the Company.
- d) "Income/Revenue" means Total Income (including other income) as per the latest audited financial statements of the Company.
- e) "Net Worth" means net worth as defined under Section 2(57) of the Companies Act, 2013.
- f) "Independent Director" shall have the meaning ascribed to such term under sub-section (47) of section 2 of the Act read with sub-section (6) of section 149 of the Act and Regulation 16(b) of SEBI LODR.
- g) "Subsidiary Company or Subsidiary" means a subsidiary as defined under Section 2(87) of the Companies Act, 2013 and Rules made there under.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the, LODR, Securities Contracts (Regulation) Act, 1956 or any other applicable law, rule or regulation.

5. MATERIAL SUBSIDIARY

A subsidiary shall be considered as material if the income or net worth exceeds ten percent (10%) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

6. GOVERNANCE FRAMEWORK FOR MATERIAL SUBSIDIARY

- a) 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 or equal to fifty percent (50%) or cease the exercise of control over the subsidiary without passing a special resolution at its general meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- b) 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.

7. GOVERNANCE FRAMEWORK FOR UNLISTED MATERIAL SUBSIDIARY

At least one Independent Director of the Company shall be a Director on the Board of an unlisted material Subsidiary, incorporated in India and abroad.

Unlisted Material Subsidiary means a Subsidiary, which is an unlisted company, incorporated in India or abroad, whose income or net worth exceeds twenty percent (20%) of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

8. GOVERNANCE FRAMEWORK FOR UNLISTED SUBSIDIARY

- a) The audit committee shall review the financial statements, in particular, the investments made by the unlisted Subsidiary Company.
- b) The minutes of the meetings of the board of directors of the unlisted Subsidiary shall be placed at the meeting of the Board for noting.
- c) The management of the unlisted Subsidiary shall periodically bring to the notice of the Board, a statement of all significant transactions and arrangements entered into by the unlisted Subsidiary. "Significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent (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.
- d) The material unlisted Subsidiaries of the Company which are incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, prepared by a company secretary in practice.

9. POLICY REVIEW

Where the terms of this Materiality Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy and procedures until such time as this Policy is changed to conform to the law, rule, regulation or standard.

10. AMENDMENTS

The Company may amend the Materiality Policy as and when it deems necessary either pursuant to any change in law or otherwise. The Company shall be free to devise and implement any supplementary or other policies and guidelines in respect hereof for better implementation of this Materiality Policy. This Materiality Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.

11. DISSEMINATION OF THE POLICY

The approved Materiality Policy shall be uploaded under a separate section on the website of the Company at kineticindia.com under investor section.

S/d

Arun Hastimal Firodia
Chairman