



DIVGI TORQTRANSFER SYSTEMS LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

Document Control

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1. Introduction

In accordance with the Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulation**"), Divgi TorqTransfer Systems Limited ("**Company**") has formulated this policy for determining material subsidiaries of the Company ("**Policy**").

2. Scope and Exclusion

The object of this Policy is to set out the criteria for determining material subsidiary/subsidiaries and material unlisted Indian subsidiaries of the Company and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have 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 made/issued thereunder, as amended, from time to time. The Audit Committee will review the policy periodically and may amend the same from time to time, as may be deemed necessary.

3. Definitions

"Audit Committee" means the Committee constituted by the Board of Directors of the Company in accordance with the provisions of Section 177 of the Companies Act, 2013 ("Act") and Regulation 18 of the SEBI Listing Regulations.

"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" as per clause 49 (V) of the Listing Agreement shall mean a subsidiary whose income or net worth exceeds 10 % (Ten Percent) of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

"Material Unlisted Indian Subsidiary" shall mean an unlisted subsidiary, incorporated in India whose income or Net worth (i.e., Paid up capital and free reserves) exceeds ten per cent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

"Significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or likely to exceed ten per cent of the total revenues or total expenses of total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

"Subsidiary" shall be as defined under the Section 2(87) of the Companies Act, 2013 and the rules made thereunder.

"Unlisted Subsidiary" means a subsidiary whose securities are not listed on any recognized Stock Exchanges in India.

4. Governance Framework

- a. At least one Independent Director on the Board of the Company shall be a Director on the Board of an unlisted material subsidiary, whether incorporated in India or not. Only for the purposes of this provision, notwithstanding anything to the contrary contained in Regulation 16(1) (c) of the Listing Regulations, the term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty per cent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- b. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary at regular intervals.
- c. The Minutes of the Board Meetings of the unlisted subsidiary shall be placed at the Board Meetings of the Company.
- d. The management of the unlisted subsidiary should 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.

- e. 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 or under a resolution plan duly approved under Section 31 of the Insolvency Code and such an event is disclosed to the recognised stock exchanges within one day of the resolution plan being approved. .. Therefore, neither the Board of Directors nor any Committee of the Board or any officer of the Company shall approve any sale or disposal of shares or enter into any contract or arrangement or make any commitment binding the Company for sale or disposal of the shares or cessation of control of any material subsidiary to less than 50%, without getting the prior consent of the shareholders.
- f. Neither the Board, nor any Committee of the Board nor any officer of the Company will approve any 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 the prior approval of the shareholders by way of a special resolution, 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 Insolvency Code and such an event is disclosed to the recognised stock exchanges within one day of the resolution plan being approved Therefore, neither the Board, nor any Committee of the Board nor any officer of the Company shall approve such a transaction.

The Policy shall come into effect from the date of approval by the Board of Directors of the Company.

This Policy shall be implemented as per the provisions of SEBI Listing Regulation, as may be amended from time to time.

4. Disclosures

The Company shall disclose in its Board's Report, the details of this policy as required under the Act and the Listing Regulations. This policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Board's Report.

5. Limitation and Amendment

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

6. Periodical Review

The Audit Committee will review this policy periodically and may recommend amendments from time to time, as may be deemed necessary and the Board of Directors of the Company may at its discretion approve the amendments.

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.