

METALYST FORGINGS LIMITED

(Company under Corporate Insolvency Resolution Process)

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**METALYST FORGINGS LIMITED
(FORMERLY KNOWN AS AHMEDNAGAR FORGINGS LIMITED)
(Company under Corporate Insolvency Resolution Process)**

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

(Updated on 26.09.2022)



POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

[Pursuant to Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

LEGAL FRAMEWORK

Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) ("SEBI LODR") extends certain principles of Corporate Governance to Material Subsidiaries of listed companies.

The Board of Directors (the "Board") of Ashok Leyland Limited (the "Company") is obliged to formulate a policy for determining "Material Subsidiaries" to comply with the requirements of Regulation 16(1)(c) of the SEBI LODR for such Material Subsidiaries. In case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment (s), clarification (s), circular (s) etc.

OBJECTIVE

The objective of this Policy is to determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries, as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI Listing Regulations"], covering the following:

- i) meaning of "Material Subsidiary";
- ii) requirement of Independent Director in certain Unlisted Material Subsidiaries;
- iii) restriction on selling or disposing of shares of such Subsidiaries of a Material Subsidiary;
- iv) restriction on transfer or selling or disposing of a Material Subsidiary;
- v) secretarial audit by Material Unlisted Subsidiaries incorporated in India; and
- vi) disclosure requirements as prescribed under the SEBI Listing Regulations.



DEFINITIONS

“Act” means the Companies Act, 2013 and the rules made thereunder (including any statutory modification/re-enactment thereof for the time being in force).

“Company” means Metalyst Forgings Limited.

“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder agreements or voting agreements or in any other manner.

“Holding Company” in relation to one or more other companies, means a company of which such companies are Subsidiary companies.

“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 SEBI LODR.

“Material Unlisted Indian /Foreign Subsidiary”

For the purpose of appointment of Independent Directors “Material Unlisted Indian /Foreign Subsidiary” shall mean an unlisted material subsidiary, incorporated in India or not, 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.

“Material subsidiary” means, unless otherwise expressly defined, a subsidiary, whose income or net worth (i.e. paid up share capital and free reserves) exceeds ten percent (10%) of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

“Net Worth” shall mean the net worth as defined in Section 2(57) of the Companies Act 2013.

“SEBI Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the circulars issued thereunder and amendments thereto.



Subsidiary Company

“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; or
- ii. exercises or controls more than one half of the total voting power 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 clause (i) or (ii) above is of another Subsidiary company of the Holding Company;*
- b) The composition of a company’s Board 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.*

The term “Control” shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner. (Section 2 (27), of the Act).

Provisions With Regard To Material Subsidiary Companies

The Chief Financial Officer of the Company will be responsible for monitoring and determining which of the Subsidiaries falls within the definition of Material Subsidiary /Foreign Subsidiary .

Monitoring of investments made by the Company in the Subsidiaries for the purpose of determining the Materiality of the Subsidiary shall be done whenever such an investment is made. Monitoring the quantum of generation of consolidated income of the Company will be done at the time of finalizing the consolidated annual accounts of the Company.

Independent Director on the Board of an Unlisted Material Subsidiary

At least one independent director on the board of directors of the Company shall be a director on the board of directors of an Unlisted Material Subsidiary, whether incorporated in India or not. For the purposes of this provision, notwithstanding anything to the contrary contained in Regulation 16 of the SEBI Listing Regulations, the term “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent (20%) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.



Restriction on Selling, disposing and leasing of assets of a Material Subsidiary

Selling, disposing and leasing of assets amounting to more than twenty percent (20%) of the assets of a Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of 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 recognized stock exchanges within one day of the resolution plan being approved.

Restrictions on disposal of shares of a Material Subsidiary

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 fifty percent (50%) or more 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 recognized stock exchanges within one day of the resolution plan being approved.

Secretarial Audit by Material Unlisted Subsidiaries incorporated in India

The Company and its material unlisted subsidiaries 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 such form as may be specified.

Disclosures

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

Review of the Policy

This amended Policy shall come into effect from April 1, 2019. This Policy shall be subject to review as may be deemed necessary or in accordance with any regulatory amendments, which affects the said policy.

Scope and Limitation

In the event of any conflict between the provisions of this Policy and the SEBI Listing Regulations or the Act or any other relevant legislation/ regulation applicable to the Company, the provisions of the SEBI Listing Regulations or the Act or such other relevant law / regulation shall prevail over this policy.

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NOTE- The Corporate Governance compliances relating to board of directors, constitution of various committees like Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Risk Management Committee. LODR Regulations have been amended to exclude such companies from above compliance obligations. Roles and responsibilities of the Board of the Board of Director and such Committees are now shifted to the Insolvency Resolution Professional.