

## **POLICY ON MATERIAL SUBSIDIARIES**

### **1. Introduction**

The Board of Directors (the “Board”) of Kirloskar Oil Engines Limited (the “Company”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below.

### **2. Policy Objective**

This is to determine the Material Subsidiaries of Kirloskar Oil Engines Limited (KOEL / the Company) and to provide the governance framework for such subsidiaries.

### **3. Definitions**

- a. **“Audit Committee”** means Audit Committee constituted by the Board of Directors of the Company, from time to time, under the provisions of the Listing Regulations and the Companies Act, 2013, as may be amended from time to time.
- b. **“Board of Directors”** or **“Board”** means the Board of Directors of the Company, as constituted from time to time.
- c. **“Company”** means a company incorporated under the Companies Act, 2013, or under any previous company law.
- d. **“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 Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.
- e. **“Material Subsidiary”** shall mean a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- f. **“Material Non-Listed Subsidiary”** means a material subsidiary company not listed on any Stock Exchange.
- g. **“Policy”** means Policy on Material Subsidiary.
- h. **“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 unlisted subsidiary for the immediately preceding accounting year.

- i. **“Subsidiary” or ‘Subsidiary companies’** shall have the same meaning as defined under the Companies Act, 2013 and the Rules made thereunder.

#### **4. Basis of determining Material Subsidiary**

This policy lays down the basis of determining Material Subsidiaries of the Company and related issues as specified in the provisions of the Listing Regulations.

A subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

On the basis of the above, the Company will determine ‘Material Subsidiary’.

#### **5. Implementation and Approval process**

- a) At least one independent director on the Board of Directors of the Company, the holding company will be appointed as a director on the Board of Directors of a material non-listed subsidiary company whether incorporated in India or not.

Explanation: For the purposes of this provision, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- b) The Company will not dispose shares in its material subsidiary which would reduce the Company’s holding (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 the 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.
- c) Prior approval of the shareholders of the Company by way of a Special Resolution will be obtained for sale, disposal of and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during the financial year (except in case of sale / disposal / lease is made under a Scheme of Arrangement duly approved by the 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.*

- d) The Company shall inform its material subsidiary accordingly and shall also obtain a certificate from the Statutory Auditors of the material subsidiary to that effect at the end of every financial year.
- e) In the event subsidiary of the Company becomes a listed subsidiary which itself is a holding company, then this policy shall apply to the listed subsidiary in so far as its subsidiaries concerned.
- f) 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 arrangement entered into by unlisted subsidiary company.

## **6. Disclosures**

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

## **7. Amendment**

The Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate or in accordance with any amendment to the applicable provisions of the Companies Act, 2013, including Rules thereof and / or the provisions of the Listing Regulations.

By and on behalf of the Board of Directors  
of Kirloskar Oil Engines Limited

Sd/-  
Atul C. Kirloskar  
Executive Chairman

Place: Pune  
Date: 25 January 2019