



FACOR ALLOYS LIMITED

Policy for determining 'Material' subsidiaries

(As approved by the Board of Directors on 13TH February 2015)



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Policy for determining 'Material' subsidiaries

Effective from 1st October, 2014

1. Introduction:

The Board of Directors of Facor Alloys Limited has adopted the following policy and procedures with regard to determination of Material Subsidiaries.

2. Purpose and Scope:

The Policy for determining 'material' subsidiary companies has been drawn up in accordance with the provisions of clause 49 of the Listing Agreement and will be used to determine the Material Subsidiaries of Facor Alloys Limited 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 Agreement and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

3. Identification of 'Material' subsidiary:

A subsidiary shall be considered as material if –

- a. the investment of the Company in the subsidiary exceeds 20 per cent of its consolidated net worth as per the audited balance sheet of the previous accounting year or,
- b. if the subsidiary has generated 20 per cent of the consolidated income of the company during the previous accounting year.

4. Governance framework:

- i. One Independent Director of the Company shall be a director on the Board of the Material Non- Listed Indian Subsidiary Company.

Explanation: "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 the listed holding Company and its subsidiaries in the immediately preceding accounting year.

- ii. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
- iii. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.

- iv. The management shall 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 company.

Explanation: *"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 the immediately preceding accounting year.*

- v. The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.

5. Disposal of Material Subsidiary:

The Company shall not:

- i. dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50per cent or cease the exercise of control over the subsidiary; or,
- ii. Sell, dispose and lease assets amounting to more than 20 percent of the assets of the material subsidiary on an aggregate basis during a financial year

without prior approval by way of passing a special resolution in its General Meeting except in cases where such divestment/sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal under the Companies Act,2013 or rules made thereunder.

6. Policy Review:

This policy is framed in terms of the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the clause 49 of the Listing agreement.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations or the Listing Agreement, as the case may be, which makes any of the provisions in the policy inconsistent with the said Act or regulations or the provisions of the Listing Agreement, then the provisions of the Act or regulations or the Listing Agreement, as the case may be, would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.