



Since 1907

Jost's Engineering Company Limited

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POLICY ON DETERMINING MATERIAL SUBSIDIARIES

1. OBJECTIVE

This Policy is formulated pursuant to the explanation provided under Regulation 16(1)(c) of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulation, 2015, for the purpose of determining "Material Subsidiary", "Unlisted Material Subsidiary" of the Company and to ensure governance compliance by the Company, in respect of the matters classified under clause 4 of this policy.

2. BOARD OF DIRECTORS' APPROVAL

This Policy has been approved by the Board of Directors of the Company at its meeting held on 6th November, 2019 to be effective from the said date.

3. DEFINITIONS

"Act" means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

"Audit Committee" means Committee constituted pursuant to Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any statutory modification(s) or re-enactment(s) thereof.

"Board of Directors" or "Board" means the Board of Directors of Jost's Engineering Company Limited, as constituted from time to time.

"Company" means Jost's Engineering Company Limited, a listed entity.

"Control" shall have the same meaning as assigned to the term in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

"Independent Director" shall have the meaning as assigned to the term under Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 149 of the Companies Act, 2013, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

"Material Subsidiary" means a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

"Significant Transaction or Arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the

- i) total revenues; or
- ii) total expenses; or
- iii) total assets; or
- iv) total liabilities;

as the case may be, of the Unlisted Subsidiary for the immediately preceding accounting year.



“**Subsidiary**” shall be as defined under Section 2(87) of the Companies Act, 2013 and the Rules made thereunder.

“**Unlisted Material Subsidiary**” means a Material Subsidiary whose securities are not listed on any recognized Stock Exchanges.

“**Unlisted Subsidiary**” means a Subsidiary whose securities are not listed on any recognized Stock Exchanges.

4. GOVERNANCE FRAMEWORK

- (i) The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary of the Company.
- (ii) The minutes of the Board meetings of the unlisted subsidiary of the company, shall be placed at the Board meeting of the Company at regular intervals.
- (iii) The Board shall be provided periodically with a statement of all significant transactions and arrangements entered into by the unlisted subsidiary of the Company.
- (iv) At least one Independent Director of the Company shall be a director on the board of directors of the unlisted material subsidiary of the Company, whether incorporated in India or not.

Explanation: For the purpose of this provision, notwithstanding anything to the contrary contained in regulation 16 (1) (c) of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulation, 2015, 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.

- (v) The Company shall not dispose of shares in its material subsidiary, resulting in reduction of 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 recognized stock exchanges within one day of the resolution plan being approved.
- (vi) 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 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.
- (vii) Every Material Unlisted Subsidiary 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 prescribed.



5. FREQUENCY OF MATERIALITY TEST

The materiality test shall be applied every financial year as soon as the audited financial statements of the Company are approved by the Board of Directors of the Company.

6. DISCLOSURES

As required by Regulation 46(2)(h) of the Listing Regulations, this policy shall be displayed on the Company's website.

7. AMENDMENT

The Board of Directors of the Company may review or amend this policy, in whole or in part, from time to time.

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