

JTEKT INDIA LIMITED

POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES

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1. BACKGROUND

SEBI has vide its circular dated 17th April, 2014 and 15th September, 2014 amended Clause 49 of the Listing Agreement, effective from 1st October, 2014. As per revised Clause 49 (V) (D), the Company is required to frame a policy for determining 'Material' Subsidiaries. Additionally, it also provides for certain criteria and compliances with respect to such subsidiaries.

2. OBJECTIVE

JTEKT India Limited ("the Company") has adopted this Policy on Material Subsidiaries ("the Policy") to set forth the procedure for determination of the Material Subsidiaries and to provide governance framework for such subsidiaries.

3. DEFINITIONS AND INTERPRETATIONS

In this policy, unless the context otherwise requires:

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

"Audit Committee" or **"Committee"** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

"Board of Directors" or **"Board"** means Board of Directors of the Company.

"Independent Director" shall mean 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 the criteria laid down under Section 149 of the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.

"Net Worth" shall mean an aggregate of the 'Paid up Share Capital' and 'Free Reserves' of the Company.

"Material non-listed Indian Subsidiary" shall mean Material Subsidiary which is incorporated in India, is not listed on the Indian Stock Exchanges and which meets the criteria laid down in Clause 4 (a) of this Policy.

"Policy" means Policy on Material Subsidiary.

“Significant Transaction or Arrangement” shall mean any individual transaction or arrangement which 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 subsidiary for the immediately preceding accounting year.

“Subsidiary” shall be as defined under the Companies Act, 2013 and the rules framed thereunder.

Any word used in this Policy but not defined herein shall have the same meaning ascribed to it in the Act, SEBI Act or Rules and Regulations made thereunder, Accounting Standards or any other relevant legislation / law applicable to the Company.

4. POLICY

- a. A Material Subsidiary shall mean a subsidiary, whose income or net worth exceeds ten percent (10%) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- b. At least One Independent Director of the Company shall be a director on the Board of Material non-listed Subsidiary Company. 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.
- c. The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the non-listed Subsidiary Company on an annual basis.
- d. The minutes of the Board meetings of the non-listed Subsidiary Companies shall be placed before the Board of the Company.
- e. The minutes of the Audit Committee meetings and Board meetings of the non-listed Subsidiary Companies shall be placed before the Audit Committee of the Company.
- f. The management shall, on annual basis, bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and Arrangements entered into by the non-listed Subsidiary Company.
- g. The Company shall in the first quarter of every financial year, determine whether any of its subsidiary falls under the criteria for Material Subsidiary and Material non-listed Subsidiaries as defined above. In case of the Subsidiary falls under such criteria, the same shall be reported with necessary compliance requirements to the Board for its noting and necessary directions.

5. DISPOSAL OF MATERIAL SUBSIDIARY

The Company, without prior approval of the members by Special Resolution, shall not:

- a. Dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50% of the paid up share capital of such Material Subsidiaries; or
- b. Cease to exercise control over the subsidiary; or
- c. Sell, dispose or lease the assets amounting to more than 25% of the assets of the material Subsidiary.

6. LIMITATION

In the event of any conflict between the provisions of this Policy and the Listing Agreement / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments, rules shall prevail over this policy.

7. DISCLOSURES

- a. The compliance with the requirements of this Policy shall be mentioned in the quarterly compliance report submitted to the Stock Exchanges.
- b. This Policy for determining material subsidiaries shall be uploaded on the website of the Company at www.jtekt.co.in and a web link thereto shall be provided in the Annual Report of the Company.
