



POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. INTRODUCTION

The Board of Directors (the “**Board**”) of **JTL Defence Limited (the “Company”)**, a listed company, has adopted this policy for determining a ‘Material’ subsidiary. This policy will be applicable to the Company. This policy is primarily framed based on the provisions of SEBI (LODR) Regulations, 2015 and is primarily intended to ensure compliance with the said regulations.

2. DEFINITIONS

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of SEBI (LODR) Regulations, 2015 and the Companies Act, 2013 from time to time.

“**Board of Directors**” or “**Board**” means the Board of Directors of JTL Defence Limited, as constituted from time to time.

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

“**Income**” shall mean ‘Total Revenue’ or ‘Total Income’ (including other income) as per the audited Financial Statements of the previous financial year.

“**Independent Director**” means an independent director referred to in - section 149(6) of the Companies Act, 2013, and / or - Regulation 16 of SEBI (LODR) Regulations, 2015

“**Listed company**” means a company which has any of its securities listed on any recognized stock exchange.

“**Material Unlisted Subsidiary**” shall mean an unlisted Subsidiary, whose turnover or net worth exceeds 10% percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

“**Material non-listed Indian subsidiary**” shall mean an unlisted subsidiary, incorporated in India, if it is an unlisted subsidiary, incorporated in India, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed company and its subsidiaries in the immediately preceding accounting year.

“**Net worth**” or “**net worth**” shall mean ‘paid up capital and free reserves’ as per the audited balance sheet of the previous financial year.

“**Subsidiary Company**” or “**Subsidiary**” means subsidiary company as defined in section 2 (87) of the Companies Act, 2013, which is as under:



Section 2 (87) of the Act - Subsidiary Company or Subsidiary in relation to any other (that is to say the holding Company), means a company in which the holding company

- (i) controls the composition of the Board of Directors; 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:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation—For the purposes of this clause—

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company's Board of Directors 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;
- (c) the expression "company" includes any body corporate;
- (d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

"Significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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.

3. POLICY

3.1 A) Identification of material subsidiary company

A material subsidiary company shall be identified on the following basis: "material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

B) Identification of material non-listed Indian subsidiary

A material subsidiary company shall be identified on the following basis:

A subsidiary shall be considered to be a material non-listed Indian subsidiary if it is an unlisted subsidiary, incorporated in India, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed company and its subsidiaries in the immediately preceding accounting year.



3.2 Compliances under SEBI (LODR) Regulations, 2015, with respect to all subsidiary companies (including material subsidiary companies and material non-listed Indian subsidiary companies)

- (a) The Audit Committee of the listed holding company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- (b) The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company. The management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

3.3 Compliances with respect to material subsidiary companies

- (a) 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 less than or equal to fifty percent 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.
- (b) 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 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 & Bankruptcy Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

3.4 Compliances with respect to material non-listed Indian subsidiary companies

- (a) At least one independent director on the Board of Directors of the holding company (i.e. JTL Defence Limited) shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.

Explanation (i): For the purpose of clause 3.4 above the term “material non-listed Indian subsidiary” shall mean an unlisted subsidiary, incorporated in India, whose turnover 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.



Explanation (ii): For the purpose of clause 3.2 above the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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.

Explanation (iii): For the purpose of this Policy where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

4. DISCLOSURES

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

5. AMENDMENTS TO THE POLICY

The Board of Directors on its own can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.