

Policy document on Material Subsidiaries

1. INTRODUCTION

The Board of Directors (the “Board”) of Centum Electronics Limited (the “Company”) has adopted the policy and procedures with regard to determination of Material Subsidiaries. This policy will be applicable to all the Companies of Centum Group. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations to the Company and also provides for materiality of related party transactions.

2. PURPOSE

This policy is largely framed in accordance with the requirement of revised Clause 49 of the Listing Agreement (including any statutory enactments/ amendments thereof) to be effective from 1st October 2014 intended to ensure governance of material subsidiary companies.

3. DEFINITIONS

“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Agreement with the Stock Exchanges and The Companies Act, 2013.

“Board of Directors” or “Board” means the Board of Directors of Centum Electronics Limited, as constituted from time to time.

“Consolidated Income” or means the total income of the Company and its subsidiaries.

“Networth” shall mean the networth as computed based on the last audited financial statements of the Company.

“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 Agreement with the Stock Exchanges.

“Material non-listed Indian subsidiary” means a material subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges.

“Material subsidiary” shall include only subsidiaries incorporated in India (either listed or un-listed) and which satisfy the conditions of the Policy.

“Significant transactions and arrangements” shall mean any individual transaction or arrangements that exceeds or is likely to exceed -

- a) 10% of the total revenue 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.

“Subsidiary” shall have the same meaning assigned to it under the Companies Act, 2013 and the rules framed thereunder;



4. POLICY CRITERIA FOR DETERMINATION OF MATERIAL SUBSIDIARIES

A subsidiary shall be a Material Subsidiary for the financial year, if any of the following conditions are satisfied:

- a. Investment of the Company in the subsidiary exceeds 20% of its consolidated net worth; or
- b. Subsidiary has generated 20% of the consolidated income of the Company during the financial year.

The Audit Committee shall annually review the list of subsidiaries together with the details of the materiality defined herein, before December 31 of every year.

5. GOVERNANCE OF MATERIAL SUBSIDIARIES

The following guidelines shall be applicable for all material subsidiaries of the Company

5.1. At least one Independent Director of the Company shall be a director on the Board of the material non-listed Indian subsidiary company (subsidiary company).

5.2. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the subsidiary company on a quarterly basis.

5.3. The minutes of the Board Meetings of the subsidiary company be placed before the Board of the Company in regular intervals.

5.4. Board of Directors of the Company shall review all the significant transactions and arrangements entered into by the subsidiary company, on a quarterly basis.

5.5. On the recommendation of the Nomination and Remuneration Committee of the Company, the Board may appoint such number of Independent Directors in the subsidiary company.

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

- a. dispose the shares held in material subsidiaries which would reduce the Company's shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- b. ceases the exercise of control over the material subsidiary; or
- c. sell, dispose or lease of the assets amounting to more than 20% of the assets of the material subsidiary

6. DEVIATIONS / CONFLICTS

In case of conflict between two regulations viz., the Companies Act 2013 and SEBI regulations are irreconcilably inconsistent, the stricter one shall prevail.

7. DISCLOSURES

The Policy for determining material subsidiaries is to be disclosed to the Stock Exchanges and in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company (www.centumelectronics.com)



8. AMENDMENTS AND UPDATES

The Board periodically shall review this Policy and shall also have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

9. INTERPRETATION

Words and expressions used in this Policy shall have the same meanings respectively assigned to them in the following acts / listing agreement / regulations / rules.

1. The Companies Act, 2013 or the rules framed thereon;
2. Listing Agreement with Stock Exchanges;
3. Securities Contracts (Regulation) Act, 1956;
4. SEBI Act, 1992;
5. SEBI (Issue of Capital and Disclosure Requirements) Regulations;
6. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
7. SEBI (Prohibition of Insider Trading) Regulations, 1992.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.
