

Bemco Hydraulics Limited

KHANAPUR ROAD, UDYAMBAG, BELGAUM, 590008

POLICY ON MATERIAL SUBSIDIARIES

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1. INTRODUCTION

In terms of regulations 16(1) (c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 listed companies are required to formulate a policy for determining material subsidiary.

Keeping in view the above requirements, the following policy and procedures with regard to determination of material subsidiaries has been formulated in order to provide governance framework for such subsidiaries.

2. DEFINATION

- a) **“Company”** means a company incorporated under Companies Act, 2013 or under any previous Company law in force.
- b) **“Board of Directors”** or **“Board”** means the board of directors of **BEMCO HYDRAULICS LIMITED**.
- c) **“Audit Committee or Committee”** means audit committee constituted by board of directors of the company from time to time, under the provisions of listing regulations with the stock exchange, the Companies Act, 2013.
- d) **“Independent Director”** means a director of a company as defined in terms of section 149(6) of the Companies Act, 2013 read with Regulation 16 (b) of SEBI (Listing obligation and disclosure requirements) Regulations, 2015 including any statutory amendments made thereon from time to time.
- e) **“Subsidiary”** shall be as defined under the Companies Act, 2013 and the rules made there under including any statutory amendments made thereon from time to time.
- f) **“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 as reduced by revaluation reserves) exceeds 10% of consolidated Income or net worth respectively of the listed holding company and its subsidiaries in the immediately preceding accounting year.
- g) **“Significant Transaction or Arrangement”** shall mean any individual transaction or arrangement that exceeds 10% of 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.
- h) **“Policy”** means policy on material subsidiary.

3. CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY

For the purpose of Compliance of listing regulations norms, a subsidiary shall be considered as material if the investment of the Company in the subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated 10% of consolidated income of the company during the previous financial year.

4. GOVERNANCE MECHANISM OF MATERIAL SUBSIDIARY

- a) At least one independent director on the board of directors of the holding company shall be a director on the board of directors of a material non listed Indian subsidiary Company.
- b) The audit committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- c) The minutes of board meeting of unlisted subsidiary company shall be placed at the Board Meeting of the listed holding company.
- d) 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.
- e) No Company shall dispose of shares in its material subsidiary which would reduce its 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 case where such divestment is made under a scheme of arrangement duly approved by court / Tribunal.
- f) Selling, Disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of share holders by way of special resolution, unless the sale/ disposal/ lease is made under a scheme of arrangement duly approved by a court or tribunal.

5. AMENDMENTS

The policy may be amended by the Company from time to time subject to amendments as may be made in the Companies Act, 2013, Listing regulations and any other statutory enactments in the policy.

6. DISCLOSURES

The policy on determining material subsidiaries shall be disclosed on the Company's website www.bemcohydraulics.net and a web link there to shall be provided in the annual report of the company.

7. MISCELLANEOUS

- a) The board of directors of **Bemco Hydraulics Limited** at its 5th meeting of Board of directors for the financial year 2015-16 held on 12.02.2016 has adopted the policy and procedure on material subsidiary as required as per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.
- b) Any difficulties or ambiguities in the said policy shall be resolved by the board of directors in line with the broad intend of policy. However in case of any conflict between various regulations viz., The Companies Act, 2013, SEBI regulations etc... are irreconcilably inconsistent, the same may be referred to board for resolution.