

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. Background

The Securities and Exchange Board of India (“SEBI”) issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the ‘LODR Regulations’) on September 02, 2015, effective from December 01, 2015, with an aim to consolidate and streamline the provisions of listing agreements thereby ensuring better enforceability. Regulation 16(1)(c) of the LODR Regulations requires every listed Company to formulate a Policy for determining material subsidiary.

2. Objectives

This Policy is framed and adopted to determine the “Material Subsidiary (ies) of the Company” and to provide the Governance Framework for such Subsidiary(ies). In determining whether or not a subsidiary of the Company is or has become a material subsidiary, the Company shall be guided by and follow this Policy and the applicable provisions of the LODR Regulations. Where there is a conflict between this Policy and the LODR Regulations, the provisions of the LODR Regulations shall prevail in making such Policy.

3. Definitions:

“**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“**Board of Director**” or “**Board**” means the Board of Directors of the KAVVERI DEFENCE & WIRELESS TECHNOLOGIES LIMITED as constituted from time to time.

“**Company**” means KAVVERI DEFENCE & WIRELESS TECHNOLOGIES LIMITED.

“**Holding Company**” means Holding Company as defined under Section 2(46) of the Act.

“**Independent Director**” means an Independent Director as defined in Section 2(47) of the Act read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof)

“**Policy**” means this Policy on Material Subsidiaries and as may be amended from time to time.

“Subsidiary Company / Subsidiary” means Subsidiary Company/Subsidiary as defined under Section 2(87) of the Act and the Rules made there under.”

4. Accountability to Ensure Compliance

The Board of Directors assisted by the CFO & Compliance Officer i.e. the KMPs would ensure that all transactions contemplated from now onwards involving any divestment/sale of investment as contemplated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof) in material subsidiaries are preferably placed before the Board and subsequently placed at meeting of the shareholders for their approval.

5. Defining Material subsidiary to identify compliance requirement: Material Subsidiary

For the purpose of this policy, a 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”.

6. Board representation:

The Company shall ensure that,

- i. 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 subsidiary company. Only for the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16(1)(c), the term “material subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year
- ii. The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- iii. 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 would periodically bring to the attention of the Board of Directors, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

7. Disposal of Material Subsidiary / Assets of Material Subsidiary:

- i. The Company shall not dispose of shares in its material subsidiary which would reduce the Company's 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 the General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- ii. The Company shall not sell, dispose and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year unless it obtains the prior approval of shareholders by way of special resolution, except where the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

8. Review of Significant transaction and arrangements entered into by Unlisted Subsidiary Company:

The management should periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

For the purpose of this sub-clause, the term "significant transaction or arrangement" shall mean any individual transaction or arrangement that 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 material unlisted subsidiary for the immediately preceding accounting year.

9. Amendments:

The Board shall have the power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace this policy entirely with a new Policy.

10. Interpretation:

Any words used in the Policy but not defined herein shall have the same meaning described to it in the Companies Act, 2013 or Rules made there under, SEBI Act or Rules and regulations made there under, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof) or any other relevant legislation/ law applicable to the Company.

11. Policy Review:

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof).

In case of any subsequent changes in the provisions of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof) or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.