

PITTI ENGINEERING LIMITED
[Formerly Pitti Laminations Limited]
Registered Office: IV Floor, Padmaja Land Mark, 6-3-648/401,
Somajiguda, Hyderabad - 500082
Tel: 91 040-23312774 Fax: 91 040-23393985
Website: www.pitti.in, Email: shares@pitti.in
CIN: L29253TG1983PLC004141

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

A. BACKGROUND

The Board of Directors (the "Board") of the Company, has adopted this policy in line with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended.

This Policy has been approved by the Board of Directors at their meeting held on February 7, 2019. Effective from April 1, 2019 this policy supersedes the earlier policy for Determining Material Subsidiaries of the Company.

B. PURPOSE

The Company is listed on BSE Ltd and National Stock Exchange of India Ltd. This policy is framed as per requirement of SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015 as amended and is intended to ensure identification and governance of Material Subsidiaries.

C. DEFINITIONS

1. **"Act"** shall mean Companies Act, 2013 and includes any amendments thereof.
2. **"Audit Committee"** means Audit Committee constituted by the Board of Directors of the Company, from time to time, under Section 177 of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and includes any amendments thereof.
3. **"Board"** or **"Board of Directors"** means the board of directors of the Company.
4. **"Holding company"**, in relation to one or more other companies, means a company of which such companies are subsidiary companies.
5. **"Listing Regulations"** shall mean SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015 and includes any amendments thereof.

6. **“Material subsidiary”** shall mean a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the company and its subsidiaries in the immediately preceding accounting year.
7. **“Policy”** means Policy for determining Material Subsidiaries.
8. **“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 unlisted subsidiary for the immediately preceding accounting year.
9. **“Subsidiary”** shall mean a subsidiary as defined under the Companies Act, 2013.

All Capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the Listing Regulations, as amended from time to time.

D. IDENTIFICATION OF MATERIAL SUBSIDIARY

A subsidiary shall be a considered as Material Subsidiary, if its income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

The Audit Committee shall on an annual basis review such details / information as may be required to determine the ‘Material Subsidiaries’.

The Material Subsidiaries of the Company, if any would be identified as one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of the Company. The identification should happen soon after preparation of annual accounts and the outcome should be placed before the Audit Committee or Board, as the case may be, in the meeting where the Annual Accounts of the Company are considered.

E. GOVERNANCE FRAMEWORK

1. At least one independent director from the Board of Directors of the Company shall be appointed as a Director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 of the Listing Regulations and in this Policy, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

2. The Audit Committee shall review the financial statements, in particular, the investments made by the unlisted subsidiary of the Company.
3. The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meeting of the Board of Directors of the Company.
4. The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all Significant Transactions and arrangements entered into by the unlisted subsidiary.
5. 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 50% 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.
6. 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 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
7. Every Material Unlisted Subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019.
8. The Audit Committee shall review the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
9. The website of the Company shall display the separate audited financial statements of each subsidiary of the Company in respect of a relevant financial year in accordance with the Listing Regulations.
10. Where the Company has a listed subsidiary, which is itself a holding company, this policy shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

F. DISCLOSURE

The policy shall be disclosed on the company's website (www.pitti.in) and a web link thereto shall be provided in the Annual Report of the Company.

G. AMENDMENT

The Board of Directors of the Company shall amend or modify this Policy in whole or in part, as required at any time and such amendment/modification shall be effective from the date that the Board may notify in this behalf.

In the event of any conflict between the provisions of this Policy and of the applicable laws dealing with Material Subsidiaries, such applicable law in force from time to time shall prevail over this Policy.
