



**TITAGARH RAIL SYSTEMS LIMITED**  
(Formerly TITAGARH WAGONS LIMITED)

**POLICY FOR DETERMINING MATERIAL**  
**SUBSIDIARIES**

# TITAGARH RAIL SYSTEMS LIMITED

## 1. PREAMBLE

The Company is committed to adoption of the best practices in sync with its corporate governance philosophy based on the objective of fostering sustainable ethical conduct in fulfilling its responsibilities. The Board of Directors (the "Board") of **Titagarh Wagons Limited (TWL)** has adopted the following policy pursuant to Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI (LODR)"] to ensure compliance with the applicable provisions of the Listing Agreement. This policy will be applicable to the Company effective from October 1, 2014.

## 2. OBJECTIVE

Determination of material Indian or foreign subsidiaries of the Company, where applicable, and to provide the governance framework for such subsidiaries by complying with disclosure/other requirements regarding such subsidiaries and disinvestment of their shares held by the Company, and selling/ disposing/ leasing of assets of such subsidiaries by them.

## 3. DEFINITIONS

- 3.1. **"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 ("the Act").
- 3.2. **"Board of Directors or Board"** means the Board of Directors of the Company, as constituted from time to time.
- 3.3. **"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 SEBI (LODR) Regulations, 2015.
- 3.4. <sup>1</sup> [Omitted]
- 3.5. <sup>2</sup> **"Material Subsidiary"** shall mean a Subsidiary whose income or net worth exceeds <sup>3</sup>[10]% of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.
- 3.6. **"Subsidiary"** <sup>4</sup>[shall be as defined in the Companies Act, 2013 and] in relation to holding company means a company in which the holding company -

<sup>1</sup> The following words were omitted. Change effective from 04/02/2019:

"Material Subsidiaries" means a Subsidiary in which the investment of the Company exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the Subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

<sup>2</sup> For the words- "Material Unlisted Indian Subsidiary" means an unlisted Subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves), the following words were substituted- "Material Subsidiary" shall mean a Subsidiary whose income or net worth'. Change effective from 04/02/2019

<sup>3</sup> For the number- '20', the following number was substituted- '10'. Change effective from 01/04/2019

<sup>4</sup> Inserted w.e.f. 04/02/2019

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- (i) controls the composition of the Board, or
- (ii) exercises or control more than half of the total <sup>5</sup>[voting power] either at its own or together with one or more of its subsidiary companies.

<sup>6</sup>[Omitted]

3.7. “**Significant Transaction or Arrangement**” means 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.

3.8. <sup>7</sup>[Omitted]

### 4. APPLICABLE COMPLIANCES UNDER Regulation 24 OF SEBI (LODR)

- 4.1. One Independent Director of the Company shall be a Director on the Board of the <sup>8</sup>[Unlisted Material Subsidiary company, whether incorporated in India or not. Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 of SEBI (LODR), the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.]
- 4.2. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company on an annual basis.
- 4.3. The minutes of the Board meetings of the unlisted subsidiary company shall be placed before the Board of the Company on a half yearly basis.
- 4.4. The management shall on a half yearly basis bring to the attention of the Board of the Company, a statement of all ‘Significant transactions and arrangements’ entered into by the unlisted subsidiary company.
- 4.5. The management shall present to the Audit Committee on an annual basis, a list of such subsidiaries together with the details of the materiality defined herein. The Committee shall review the same and make suitable recommendations to the Board, including but not limited to, recommendation for appointment of

<sup>5</sup> For the words- ‘share capital’, the following words were substituted- ‘voting power’. Change effective from 04/02/2019

<sup>6</sup> The following words were omitted. Change effective from 04/02/2019:  
The expression “total share capital” means, the aggregate of the:-

- (a) paid-up equity share capital; and
- (b) convertible preference share capital

<sup>7</sup> The following words were omitted. Change effective from 04/02/2019:

“Subsidiary(ies)” means a subsidiary of the Company as defined in the Companies Act, 2013

<sup>8</sup> For the words- ‘Material Unlisted Subsidiary company, incorporated in India’, the following words were substituted. Change effective from 01/04/2019:

‘Unlisted Material Subsidiary company, whether incorporated in India or not.

Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 of SEBI (LODR), the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.’

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Independent Director on the Board of Material Unlisted Indian Subsidiary Company.

4.6. The Company, without the prior approval of the members by Special Resolution in its General Meeting, shall not:

- Dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- Cease the exercise of control over the Material Subsidiary; or
- Sell, dispose or lease of assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year;

<sup>9</sup>[Provided that special resolution shall not be required if the aforesaid 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.]

## 5. COMPLIANCE BY STEP DOWN SUBSIDIARIES

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.

## 6. GUIDING PRINCIPLES

- 6.1. All the applicable provisions of laws, as amended from time to time, are to be complied in letter and spirit in implementing this Policy.
- 6.2. “Material subsidiary” of the Company would be identified, which would include, if any:
- Material listed Indian & foreign subsidiaries
  - Material unlisted Indian & foreign subsidiary,

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.

6.3. <sup>10</sup>[Omitted]

6.4. **Disposal of shares** held by the Company, whether Equity or preference, of the Material Subsidiary and Material unlisted Indian subsidiary; and

**Sale/ disposal/ lease of assets** of the Material Subsidiary and Material unlisted Indian subsidiary would be considered and complied keeping in view the following:

<sup>9</sup> Inserted w.e.f. 01/04/2019

<sup>10</sup> The following words were omitted w.e.f. 01/04/2019:

“Material unlisted Indian subsidiary” of the Company would be identified, if any, 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.

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6.4.1 Valuation of the shares / assets of Material Subsidiary and Material unlisted Indian subsidiary would be done by Registered Valuer in terms of the Companies Act 2013 and in absence of related notification of these provisions, by an independent merchant banker registered with SEBI, or by an independent chartered accountant in practice with minimum 10 years' experience or as may be permitted by the Central Government.

6.4.2. The proposal shall be considered by the Audit Committee and the Board of the Company and the relevant subsidiary and decision taken in terms of the provisions of the Regulation 24 of the SEBI (LODR) and Companies Act 2013 and its Rule/s, as applicable.

6.4.3. Where the disposal of the shares or selling/ disposing/ leasing of assets of Material Subsidiary and Material unlisted Indian subsidiary company are triggering the limits laid down, the proposal after being approved by the Audit Committee and the Board shall be placed before the shareholders of the Company and the relevant subsidiary, as applicable, in a general meeting or through postal ballot in terms of the provisions of the Regulation 24 of SEBI (LODR) and Companies Act 2013 and its Rule/s seeking approval/s of such shareholders by way of passing special resolution/s, as applicable.

6.4.4. Only on receipt of the necessary approvals, herein the disposal of the shares or selling/ disposing/ leasing of assets of the Material Subsidiary and Material unlisted Indian subsidiary would be done.

6.4.5. Necessary reporting would be made to the Audit Committee and Board meetings of all the concerned companies.

6.4.6 Stock Exchanges would be duly intimated, if and as and when applicable.

6.5. <sup>11</sup>[Omitted]

### **7. REVIEW**

The policy shall be reviewed by the Board from time to time as may be necessary.

### **8. DISCLOSURE**

The Policy for determining Material Subsidiaries shall be disclosed on the website of the Company at [www.titagarh.in](http://www.titagarh.in) and a web link thereto shall be provided in the Annual Report of the Company, as per the provisions of law in force.

<sup>11</sup> The following words were omitted. Change effective from 01/04/2019:

'In case of Material unlisted Indian subsidiary of the Company the same compliances as mentioned above at Article 4 with the heading "Applicable Compliances under the Regulation 24" shall apply.'