



ACTION CONSTRUCTION EQUIPMENT LIMITED

POLICY ON MATERIAL SUBSIDIARIES

Legal Framework

The clause 49 V (D) of the Listing Agreement requires the Company to formulate a policy for determining "Material Subsidiaries". The clause 49 extends certain principles of corporate governance to material subsidiaries of listed companies.

DEFINITIONS:

"Act" means Companies Act, 2013 or any re-enactment thereof and Rules made thereunder.

"Audit Committee" means the Audit Committee constituted by the Board of Directors of the Company from time to time under the Companies Act, 1956/ Companies Act, 2013 and the Listing Agreement.

"Board of Directors" or "Board" means the Board of Directors of Action Construction Equipment Limited as constituted from time to time.

"Company" means a company incorporated under the Companies Act, 2013 or any other previous company law.

"Holding Company" in relation to one or more other companies means a company of which such companies are subsidiaries companies.

"Policy" means Policy on Material Subsidiary.

"Material Subsidiary" mean subsidiary, , whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively of the listed holding company and its subsidiaries in the immediately preceding accounting year.

"Material Subsidiary" a subsidiary shall be considered as material if the investment of the Company in the subsidiary exceeds twenty percent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty percent of the consolidated income of the Company during the previous financial year.

"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.

"Subsidiary" shall mean a subsidiary as defined under the Companies Act, 2013.

Provisions with regard to material subsidiary companies

- At least one independent director on the Board of Directors of the Company shall be a director on the Board of Directors of a material subsidiary company;
- The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the Subsidiary company;
- The Minutes of the meetings of the Board of Directors of the material Subsidiary shall be placed before the Board of the Company.



- The management shall 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 material subsidiary company.
- Subsidiary company shall not either by its own or through its nominees, holds any shares in its holding company and no holding company shall allot or transfer its shares to any of its subsidiary companies. Nothing contained in this clause shall apply in the following circumstances:
 - i) Where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or
 - ii) Where the subsidiary company holds such shares as a trustee; or
 - iii) Where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company.
- The Company shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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.
- The Company shall include particulars of its subsidiary companies in its annual filing.

Disclosures

This Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

Amendments

The Board of Directors of the Company may subject to applicable laws is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy.
