

## POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

### **1. INTRODUCTION:**

The Board of Directors (“the Board”) of DCX Systems Limited (“the Company”) is obliged to formulate a policy for determining “Material Subsidiaries” to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) for such material subsidiaries.

### **2. OBJECTIVE:**

**The objective of this policy is to determine:-**

Meaning of material subsidiary;

Requirement of Independent Director in certain Material Non-Listed Indian Subsidiaries;

Restriction on disposal of Shares of a Material Subsidiary by the Company;

Restriction on transfer of Assets of a Material Subsidiary; and

Disclosure requirements, based on the Listing Regulations and any other laws and regulations as may be applicable to the Company.

### **Definitions:**

- **"Audit Committee"** means committee constituted by the Board of Directors of the Company, from time to time, under the provisions of Section 177 of the Companies Act, 2013 and the Listing Regulations
- **"Board of Directors"** or **"Board"** means the Board of Directors of DCX Systems Limited, as constituted from time to time.
- **"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 provisions of Section 149 of the Companies Act, 2013 and under the Listing Regulations.
- **"Holding Company"** in relation to one or more other companies means a company of which such companies are subsidiaries companies.

- "**Subsidiary Company**" in relation to any other company (that is to say the holding company), means a company in which the holding company Controls the composition of the Board of Directors; or Exercises or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies;

**Explanation-for the purpose of this definition-**

- a) A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in clause (i) or (ii) above is of another subsidiary company of the holding company;
- b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- c) The expression "company" includes anybody corporate.

**"Material non-listed Indian subsidiary"** shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital & free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company & its subsidiaries in the immediately preceding accounting year.

**"Material Subsidiary"** – A subsidiary shall be considered as Material if –

- a) The investment of the Company, whether current or prospective, in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year;

OR

- b) If the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

**"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 financial year.

**"Control"** shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

### **3. PROVISIONS WITH REGARD TO SUBSIDIARY COMPANIES:**

- One Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of its Material Non-listed Indian Subsidiary Company.
- The Audit Committee of the Company shall review the financial statements, in particular the investments made by its Unlisted Subsidiary Company.
- The minutes of the Board meetings of the Unlisted Subsidiary Company shall be placed at the Board meeting 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 & arrangements entered into by its Unlisted Subsidiary Company.
- Subsidiary Company shall not either by its own or through its nominees, holds any shares in its Holding Company & no Holding Company shall allot or transfer its shares to any of its Subsidiary Companies & any such allotment or transfer of shares of a Company to its Subsidiary Company shall be void.

Nothing contained in this clause, shall apply to a case:-

- a) Where the Subsidiary Company holds such shares as the legal representative of a deceased member of the Holding Company; or
- b) Where the Subsidiary Company holds such shares as a trustee; or
- c) Where the Subsidiary Company is a shareholder even before it became a Subsidiary Company of the Holding Company.

The management shall present to the Audit Committee annually the list of such Subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of Independent Director in the Material Non-Listed Indian Subsidiary.

**4. DISPOSAL OF MATERIAL SUBSIDIARY:**

The Company, without the prior approval of the members by Special Resolution or a resolution with majority as may be prescribed under the Listing Regulations, shall not:

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

Except in cases where such divestment, sale, disposal, lease as the case may be is made under a scheme of arrangement duly approved by the Court / Tribunal.

**5. DISCLOSURE:**

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

**6. AMENDMENT AND UPDATIONS:**

The Board shall have the power, subject to applicable laws, to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. The Company Secretary being the Compliance Officer is also authorized to make amendment in this policy, where there is any statutory changes necessitating the amendment in the policy.

The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

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