

## **CEAT LIMITED**

### **Policy for Subsidiaries**

#### **1.00 OBJECTIVE:**

This Policy aims to ensure compliance of the applicable provisions of the Listing Agreement entered into with the Stock Exchanges(as amended or re-enacted from time to time) relating to “material subsidiaries”.

#### **2.00 DEFINITIONS:**

- (i)** “Material Subsidiary” means a subsidiary in which 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.
- (ii)** “Subsidiary company” or “subsidiary”, in relation to the Company means a company in which the Company:
  - (i) controls the composition of the Board of Directors; or
  - (ii) (ii) 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 this purposes:

- (a) a company shall be deemed to be a subsidiary company of the Company even if the control referred to in (i) or (ii) above is of another subsidiary company of the holding company;
- (b) the composition of any company’s Board of Directors shall be deemed to be controlled by the Company if it, by exercise of some power exercisable by the Company at its discretion, can appoint or remove all or a majority of its directors;
- (c) the expression “company” includes any body corporate.

- (iii) “Material non listed Indian subsidiary” shall mean an unlisted Indian subsidiary of the Company, incorporated in India, whose income or net worth exceeds twenty per cent of the consolidated income or net worth respectively of the Company and its subsidiaries in the immediately preceding accounting year.
- (iv) “Net Worth” shall mean paid-up capital and free reserves of the Company.
- (v) “Significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten per cent 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.

### **3.00 REQUIREMENTS:**

- 3.01** At least one Independent Directors on the Company’s Board of Directors shall be a Director on the Board of Directors of a Material non listed Indian Subsidiary.
- 3.02** The Company shall not dispose of shares in its Material Subsidiary which would reduce the shareholding (either on its own or together with other subsidiaries to less than fifty per cent or cease the exercise of control over the subsidiary without passing a Special Resolution in the General Meeting of the Company.
- 3.03** Selling, disposing or leasing of assets amounting to more than twenty per cent of the assets of the material subsidiary shall be carried only with the prior approval of the shareholders of the Company by way of a Special Resolution except in cases when such divestment is made under a Scheme of Arrangement duly approved by any Court or Tribunal.
- 3.04** Audit Committee shall review the financial statements, in particular, the investments made by the Subsidiary Company (including foreign subsidiary).
- 3.05** Minutes of the Board meetings of the Subsidiary Company (including foreign subsidiary) shall be placed before the Board of Directors of the Company.
- 3.06** A statement of all significant transactions and arrangements entered into by the Subsidiary Company (including foreign subsidiaries) with the Company shall be placed before the Board of Directors of the Company.

**3.07** If and when, the Company has a subsidiary, which itself is listed, all the provisions mentioned at Sr. No. 3.01 to 3.06 herein shall apply to the said listed subsidiary, in so far as its subsidiaries are concerned.

**4.0 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.

**5.0 MISCELLANEOUS:**

**5.01** This Policy shall be deemed to have come into force on October 1, 2014.

**5.02** Any amendment, if any to be made to this Policy, shall take effect from the date of approval by the Board of Directors of the Company.