

Fedders Electric and Engineering Limited
(Formerly Fedders Lloyd Corporation Limited)

**POLICY FOR DETERMINING MATERIAL
SUBSIDIARIES**

I. BACKGROUND

This Policy has been formulated in accordance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Regulations”)

II. OBJECTIVE

Determination of Material Subsidiaries of the Company, where applicable, and complying with disclosures/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.

III. DEFINITIONS & INTERPRETATIONS

In this Policy, unless the context otherwise requires:

- (a) “Audit Committee” shall mean the Audit Committee of the Board of Directors of Fedders Electric and Engineering Limited.
- (b) “Board” shall mean the Board of Directors of Fedders Electric and Engineering Limited.
- (c) “Subsidiary” means “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company—
 - (i) controls¹ the composition of the Board of Directors; or
 - (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.

The Total Share Capital for the purpose of this definition means the aggregate of the paid-up equity share capital and convertible preference share capital.

Clarification:

- i. A company shall be deemed to be a subsidiary company of the holding company even if the control (as stated above) is of another subsidiary company of the holding company.
 - ii. The composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company can appoint or remove all or a majority of the directors.
 - iii. For the purpose of this definition, “company” includes any body corporate.
- (d) “**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 Regulations.
 - (e) “**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.

¹The term "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.

(f) **“significant transaction or arrangement”** shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of any of the following:

- (i) total revenues; or
- (ii) total expenses; or
- (iii) total assets; or
- (iv) total liabilities,

as the case may be, of the Unlisted Material Subsidiary for the immediately preceding accounting year.

Any word used in this policy but not defined herein shall have the same meaning ascribed to it in the Regulations, Accounting Standards or any other relevant legislation / applicable laws to the Company. In case of any dispute or differences between this Policy and provisions of Regulations, the latter shall apply.

IV. DETERMINATION OF MATERIAL SUBSIDIARY

The Company shall, at the end of every financial year, determine whether any of its subsidiary falls under the criteria for Material Subsidiary and such determination shall be placed before the Audit Committee and the Board.

V. COMPLIANCES WITH RESPECT TO SUBSIDIARIES

1. The Audit Committee shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
2. The minutes of the Board meetings of the all the unlisted subsidiary companies shall be placed at the Board Meeting of the Company.

VI. COMPLIANCES WITH RESPECT TO MATERIAL SUBSIDIARIES

1. 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.

“Control” for this purpose has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

2. The Company shall not sell, dispose and lease assets amounting to more than twenty percent of the assets of the Material Subsidiary on an aggregate basis during a financial year without obtaining 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.
3. At least one Independent Director on the Board shall be a director on the Board of Directors of an unlisted Material Subsidiary, incorporated in India.

4. The management of the unlisted subsidiary company shall, every quarter, bring to the notice of the Board, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

VII. DISCLOSURES AND AMENDMENT

1. Compliance with the requirements of this Policy is to be mentioned in the quarterly compliance report submitted to the Stock Exchanges.
2. The Policy shall be disclosed on the website of the Company www.feddersselectric.com and web link thereto shall be provided in the Annual Report of the Company.
3. The Board or any Committee of Board of Directors is authorised to review or amend any of the provisions of this 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.