

BHARAT FORGE

Policy on Determining "Material" Subsidiaries Of Bharat Forge Limited

INTRODUCTION

The Board of Directors (the "Board") of Bharat Forge Limited (the "Company") has adopted the following Policy and procedures with regard to determination of Material Subsidiaries as defined below. The Board may review and amend this Policy from time- to- time. While doing so, the Board shall take into consideration the recommendations, if any, of the Audit Committee.

OBJECTIVE

This Policy is framed in accordance with the requirement of revised Clause 49 (V) (D) of the Listing Agreement (including any statutory enactments/ amendments thereof) and is intended to identify Material Subsidiaries and to establish a governance framework for such Subsidiaries.

DEFINITIONS

- a. "Act" shall mean the Companies Act, 2013 and the Companies, Act 1956 (to the extent applicable and as amended from time- to- time)
- b. "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 for the time being and the Companies Act, 2013 and rules framed thereunder (as amended from time –to- time).
- c. "Board of Directors" or "Board" means the Board of Directors of Bharat Forge Limited, as constituted or re-constituted as the case may be from time –to- time.
- d. "Independent Director" shall have the meaning assigned to the term under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges, if applicable.
- e. "Material Non -Listed Indian Subsidiary" means an unlisted Subsidiary, incorporated in India, whose turnover or net worth (i.e., paid-up capital and free reserves) exceeds 20 per cent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- f. "Material Subsidiary" A Subsidiary shall be considered as material if the investment of the Company in the Subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year or if the Subsidiary has generated 20% of the consolidated income of the Company during the previous financial year.



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- g. "Policy" means this Policy, as amended from time- to- time.
- h. "Significant Transaction or Arrangement" means any individual transaction or arrangement that exceeds or is likely to exceed 10 per cent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the Material Non-Listed Indian Subsidiary for the immediately preceding accounting year.
- i. "Subsidiary" shall mean a subsidiary as defined under the Act and Rules made thereunder.

Any other Capitalized term used herein but not defined shall have the meaning assigned to such term under the Act, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

POLICY

A. REQUIREMENT REGARDING MATERIAL NON-LISTED INDIAN SUBSIDIARY

- a. 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 Non-listed Indian Subsidiary Company.
- b. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the Material Non-listed Indian Subsidiary Company.
- c. The minutes of the Board meetings of the Material Non-listed Indian Subsidiary Company shall be placed at the Board meeting of the Company.
- d. The CFO shall present to the Audit Committee annually a list of Material Subsidiaries. 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 Company.
- e. The CFO should periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions or Arrangements entered into by the Material Non-listed Indian Subsidiary Company.

B. REQUIREMENT REGARDING MATERIAL SUBSIDIARY

Disposal of Material Subsidiary

The Company shall without passing a special resolution in its General Meeting:-

- a. dispose shares in the Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50%; or



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- b. dispose shares in the Material Subsidiary which would cease the exercise of control over such Subsidiary; or
- c. sell, dispose or lease the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year,

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

C. DISCLOSURES

The Company shall disclose the Policy on the Company's website and a web link thereto shall be provided in the annual report.

D. SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and the Listing Agreement or the Act or any other statutory enactments, rules, the provisions of such Listing Agreement or the Act, or statutory enactments, rules shall prevail over this Policy.

E. AMENDMENTS AND UPDATES

The Board shall review periodically this Policy and shall also have the power 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 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.

This policy has been reviewed by the Audit Committee and approved by the Board at their respective meetings held on February 2, 2015 and has been made effective on and after October 1, 2014.

For Bharat Forge Limited,



B.N. Kalyani
Chairman and Managing Director

February 2, 2015
Pune



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