
**AAR COMMERCIAL
COMPANY LIMITED**

**POLICY FOR DETERMINATION
OF
MATERIAL SUBSIDIARIES**

INTRODUCTION

The Board of Directors of AAR COMMERCIAL COMPANY LIMITED (hereinafter referred to as “Company”) has adopted the following policy and procedures with regard to determination of material subsidiaries in accordance with Regulation 16(1)(c) and Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended (hereinafter referred to as the “Listing Regulations”) and circulars issued by Securities and Exchange Board of India from time to time,

OBJECTIVE

The objective of this Policy is to set forth the criteria towards ascertaining Material Subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

DEFINITIONS

“Act” means the Companies Act, 2013 and the rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“Board” shall mean the Board of Directors of the Company, as constituted from time to time.

“Audit Committee” means the committee constituted by the Board of Directors of the Company in accordance with section 177 of the Act and Regulation 18 of the Listing Regulations.

“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 Act and the Listing Regulations.

“Subsidiary Company” is a company which shall be as defined under the Act.

“Unlisted Subsidiary” means subsidiary whose securities are not listed on any recognized Stock Exchanges.

“Material Subsidiary” shall mean a Subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of listed entity and its Subsidiaries in the immediately preceding accounting years.

“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 unlisted subsidiary for the immediately preceding accounting year.

PROVISIONS WITH REGARD TO MATERIAL SUBSIDIARY

1. The Audit Committee shall also review the financial statements, in particular, the investments made by the unlisted subsidiary of the Company.
2. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Company at regular intervals.
3. The Board shall be provided periodically with a statement of all significant transactions and arrangements entered into by the unlisted subsidiary Company.
4. At least one Independent Director of the Company shall be a director on the board of the unlisted material subsidiary whether incorporated in India or not. Only for the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 (1) (c), the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
5. 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 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 Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
6. Selling, disposing and leasing of assets amounting to more than 20 % of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require 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 or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

DISCLOSURES

The Material Subsidiaries Policy shall be disclosed on the Company’s website i.e www.aarccl.in & a web link thereto shall be provided in the Annual Report.

AMENDMENTS

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, as it may deem necessary. The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure the objective of good corporate governance.

LIMITATIONS

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

Note: This Policy is adopted by the Board of Directors of the Company at their meeting held on 13-08-2019 and shall be effective from this date.