

# **POLICY FOR DETERMINING MATERIAL SUBSIDIARY**



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### 1. PREAMBLE

The Board of Directors of the Company have approved and adopted "the Policy for Determining Material Subsidiary" in terms of Regulation 16 (c) and 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which inter-alia lays down the criteria for determining 'material' subsidiary(ies) and governance of subsidiaries.

### 2. OBJECTIVE

The objective of this Policy is to determine –

- Material Subsidiary.
- Reporting and governance requirement for Subsidiary Companies.
- Requirement of Independent Director in certain unlisted Material Subsidiary.
- Restriction on disposal of shares in Material Subsidiary by the Company.
- Restriction on selling, disposing and leasing of assets of Material Subsidiary by the Company and/or
- Other disclosure requirements, as required under SEBI Listing Regulations (as defined herein) and other applicable laws to the Company.

### 3. DEFINITIONS

- a. "Audit Committee" means the Audit Committee as constituted by the Board of Directors of the Company under the Companies Act, 2013.
- b. "Board of Directors or Board" means the Board of Directors of KGL.
- c. "Company" shall mean Kitex Garments Limited (KGL)
- d. "Companies Act" means the Companies Act, 2013 and rules made thereunder and Companies Act, 1956 (1 of 1956) to the extent applicable.
- e. "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. "Holding company", in relation to one or more other companies, means a company of which such companies are subsidiary companies and Company includes any body corporate;

- g. "Independent Director" shall mean an Independent Director of the Company appointed as per the provisions of the Companies Act, 2013 and SEBI Listing Regulations.
- h. "Material Subsidiary" as per Reg 16 (1) (c) of SEBI Listing Regulations shall mean a Subsidiary whose income or networth exceeds 10% of consolidated income or networth respectively of the listed entity and its subsidiaries in the immediately preceding accounting year.

*(For the purpose of Reg 24 of SEBI Listing Regulations, notwithstanding anything contained in Reg 16, the term "Material Subsidiary" shall mean a subsidiary whose income or net worth exceeds 20% of consolidated income or networth respectively of the listed entity and its subsidiaries in the immediately preceding accounting year)*

- i. "Net Worth" means net worth as defined under the Companies Act, 2013.
- j. "Policy" shall mean this Policy for Determining Material Subsidiary.
- k. "SEBI Listing Regulations" shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any statutory modification thereof.
- l. "Significant transaction" 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.
- m. "Subsidiary Company" or "Subsidiary", in relation to KGL shall mean a Company (includes both listed and unlisted) in which KGL —
- i. controls the composition of the Board of Directors; or
  - ii. exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Explanation: For the purposes of this definition —

- a) a company shall be deemed to be a subsidiary company of KGL even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the KGL;
  - 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 any body corporate;
- n. "Unlisted Subsidiary" means Subsidiary whose securities are not listed on any recognized stock exchanges.

- o. All other words and expressions used but not defined in this Policy shall have the same meaning as assigned to them in Companies Act, 2013 or SEBI Listing Regulations or the Securities Contracts (Regulation) Act, 1956, and/or such rules and regulations made there under, as the case may be.

#### **4. CORPORATE GOVERNANCE REQUIREMENT W.R.T. SUBSIDIARY OF LISTED ENTITY**

##### **A. For Unlisted Subsidiary(ies):**

- 4.1. The Audit Committee of the Company shall review the financial statements of the unlisted subsidiary (ies), in particular, the investments of such subsidiary/ies, periodically.
- 4.2. The minutes of the Board meetings of the unlisted subsidiary (ies) shall be placed at the meeting of the board of directors of the Company.
- 4.3. The management of the unlisted subsidiary (ies) shall periodically bring to the notice of the board of directors of the Company a statement of all significant transactions and arrangements entered into by such subsidiary (ies).

##### **B. For Material Subsidiary(ies):**

In addition to the compliance requirements enumerated in Clause 4.1 - 4.3 above, the below mentioned requirements are to be adhered to in respect of material subsidiary (ies):

- 4.4. Appointment of at least one (1) independent director of the Company as a Director on the Board of Directors of its unlisted material subsidiary whether incorporated in India or not.

Provided that "Material subsidiary" for the purpose of this provision means Material Subsidiary as defined under Explanation to Reg 24 of the SEBI Listing Regulations.

- 4.5. The Company shall not dispose its shares in its material subsidiary (ies) 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 (ies) 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 or under a resolution plan duly approved under Sec 31 of the Insolvency

Code and such an event is disclosed to the recognized Stock exchanges within 1 day of the resolution plan being approved.

4.6. The selling, disposing and/or leasing of assets amounting to more than 20% of the assets of the material subsidiary(ies) 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 Sec 31 of the Insolvency Code and such an event is disclosed to the recognized Stock exchanges within 1 day of the resolution plan being approved.

4.7. Every listed entity and its material unlisted subsidiary incorporated in India shall undertake Secretarial Audit and shall annex with its Annual Report, a Secretarial Audit Report given by the Company Secretary in practice, in such form as may be specified w.e.f 31.03.2019

## **5. REVIEW AND DISCLOSURES**

5.1. The Audit Committee of the Company shall on annual basis or as may be considered necessary, review such information/details as may be required to determine the Material Subsidiary (ies).

5.2. Appropriate disclosures relating to material subsidiary (ies) in terms of SEBI Listing Regulations shall be made in the Annual report and this policy shall be disclosed on the Company's website i.e. [www.kitexgarments.com](http://www.kitexgarments.com) and a web link thereto shall be provided in the Annual Report of the Company.

5.3. The Company shall promptly disclose to the Stock Exchange(s) in terms of Regulation 30 of the SEBI Listing Regulations all events and/or information with respect to its subsidiary (ies) which are material for the Company.

## **6. AMENDMENTS AND MODIFICATIONS**

The Board of Directors shall have the right to modify, amend or change any or all clauses of this policy to the extent required under the applicable laws/ Acts /Regulations or otherwise.

This Policy shall take effect from Feb 14, 2019.

Feb 14, 2019  
Kizhakkambalam

Chairman  
Chairman & Managing Director

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