

POLICY ON MATERIAL SUBSIDIARIES

Purpose and Scope

The Policy for determining ‘material’ subsidiary companies has been framed in accordance with the provisions of clause 49(V)(D) of the Listing Agreement, as amended and effective from *October 1, 2014*.

The Policy will be used to determine the Material Subsidiaries of Kanani Industries Limited and to provide the governance framework for such subsidiaries.

Definitions

“**Policy**” means Policy for Determining Material Subsidiaries.

“**Material Non Listed Indian Subsidiary**” shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (*i.e. paid up capital and free reserves*) exceeds 20 (twenty) per cent of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding financial year.

“**Significant Transaction or Arrangement**” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10 (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.

“**Subsidiary**” shall be as defined under the Companies Act, 2013 and the Rules made there under.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and the Listing Agreement as may be amended from time to time shall have the meaning respectively assigned to them therein.

Identification of ‘Material’ subsidiary

A subsidiary shall be considered as material if –

- the investment of the Company, whether current or prospective, in the subsidiary exceeds 20 (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 20 (twenty) per cent of the consolidated income of the company during the previous financial year.

Governance framework

- The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company;
- The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company;
- The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company;

- One Independent Director of the Company shall be a director on the Board of the Material Non Listed Indian Subsidiary Company;
- The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the all significant Transaction or Arrangement defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.

Disposal of Material Subsidiary

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 per cent or cease the exercise of control over the subsidiary; or
- amounting to more than 20 percent of the assets of the material subsidiary on an aggregate basis during a financial year.

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 under the Companies Act, 2013 or rules made thereunder.

Policy Review

This policy is framed pursuant to the provisions of the Companies Act 2013 and rules thereunder and the requirements of the revised clause 49 of the Listing agreement *dated September 15, 2014*.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.