

**POLICY**  
**FOR**  
**DETERMINING 'MATERIAL' SUBSIDIARIES**  
**OF**  
**KOTHARI PRODUCTS LIMITED**

## 1. Objective

Determination of material listed or non listed Indian or foreign subsidiaries of the Kothari Products Limited (hereinafter referred to as 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.

This Policy is in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

## 2. Definitions

### 2.1 **Subsidiary**

“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) Controls<sup>1</sup> 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.

**However, some clarification is relevant here:**

- 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.
- 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.
- For the purpose of this definition, “company” includes any body corporate.

### 2.1 **Material subsidiary**

A subsidiary shall be considered as material if the investment of the Company in the subsidiary:

- exceeds 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 twenty per cent of the consolidated income of the company during the previous financial year.

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<sup>1</sup> The 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 { Companies [ Specifications of definitions details] Rules 2104}

### **2.3 Material non listed Indian subsidiary**

The term shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

**2.4 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 Listing Agreement with the Stock Exchanges.

**2.5 Policy** means this Policy for determining 'Material' Subsidiaries.

### **3. Guiding Principles**

**3.1 Material subsidiary** of the Company would be identified, which would include the following, if any:

- Material listed Indian & foreign subsidiaries
- Material non listed foreign subsidiary,

as one time exercise and such exercise shall be done during each financial year and the conclusion shall be placed before the Audit Committee and the Board of Directors of the Company.

**3.2 Material non listed Indian subsidiary** of the Company would be identified, if any, as one time exercise and such exercise shall be done during each financial year and the conclusion shall be placed before the Audit Committee and the Board of the Company.

### **4. Restriction on disposal of its assets by Material Subsidiary**

Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the Material Subsidiary 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.

### **5. Restriction on disposal of shares of Material Subsidiary by the Company**

No company shall 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 a Court/Tribunal.

## **6. Disclosures / Other Requirements**

- 6.1** The policy shall be disclosed on the company's website and a web link thereto shall be provided in the Annual Report.
- 6.2** At least one Independent Director on the Board of Directors of the holding company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.
- 6.3** The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company on an annual basis.
- 6.4** The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company. The management should bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements<sup>2</sup> entered into by the unlisted subsidiary company on half yearly basis.

## **7. Compliance by Step down subsidiaries**

Where a listed holding company has a listed subsidiary which is itself a holding company, this policy shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

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<sup>2</sup> The term 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 material unlisted subsidiary for the immediately preceding accounting year.