

PRAKASH WOOLLEN & SYNTHETIC MILLS LIMITED

Policy for Determining Material Subsidiaries

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[Pursuant to Clause 49(V) (D) of the Listing Agreement]

1. Purpose:

The purpose of this policy is determination of material subsidiaries and disclosure thereof, as required under revised Clause 49(V) (D) of the Listing Agreement (including any amendments thereof).

The Board of Directors (the "Board") of the Company has adopted the policy and procedures for determining 'material' subsidiary companies ("Policy") in accordance with the provisions of the Listing Agreement.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Agreement and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

2. Objective:

The objective of this Policy is to determine -

- i. Meaning of 'Material' Subsidiary
- ii. Requirement of Independent Director in certain Material Non Listed Indian Subsidiaries
- iii. Restriction on disposal of Shares of a Material Subsidiary by the company
- iv. Restriction on transfer of Assets of a Material Subsidiary and
- v. Disclosure requirements, based on revised Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

The Audit Committee will review the policy periodically and may amend the same from time to time, as may be deemed necessary.

3. Definitions:

"**Company**" means Prakash Woollen & Synthetic Mills Limited.

"**Audit Committee**" means the committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Clause 49 of the Listing Agreement.

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"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 Agreement.

"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 shareholder agreements or voting agreements or in any other manner.

"Material subsidiary" is a subsidiary in which:

- Investment by the Company exceeds twenty percent (20%) of the consolidated net worth as per the audited balance sheet of the previous financial year; or
- If the subsidiary has generated twenty percent (20%) of the consolidated income of the Company during the previous financial year;

"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%, of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

"Significant Transaction or Arrangement" is any individual transaction or arrangement that exceeds or is likely to exceed ten percent (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.

"Subsidiary" shall be as defined under the Act and the rules made thereunder.

"Unlisted Subsidiary" means subsidiary whose securities are not listed on any recognized stock exchanges.

4. Provision with Regard to Subsidiary Companies:

1. One Independent Director on the Board of Directors of the Company shall be a director on the Board of Directors of material non-listed Indian Subsidiary Company.
2. The Audit Committee of the company shall review the financial statements, in particular the investments made by the unlisted subsidiary company.
3. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed company.

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4. The management shall periodically bring to the attention of the Board of Directors of the company, a statement of all significant transactions & arrangements entered into by the unlisted subsidiary company;
5. Subsidiary company shall not either by its own or through its nominees, holds any shares in its holding company & no holding company shall allot or transfer its shares to any of its subsidiary companies & any such allotment or transfer of shares of a company to its subsidiary company shall be void.

5. Disposal of Material Subsidiary:

The Company shall not, without prior approval by way of passing a special resolution in its General Meeting:

- a. 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; or
- b. Sell, dispose and lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year

The above provisions shall not be applicable in cases where such divestment, sale, disposal, lease as the case may be is made under a scheme of arrangement duly approved by the Court/Tribunal.

6. Disclosures:

The Company shall disclose in its Board's report, details of this Policy as required under the Act and the Listing Agreement.

This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Board's report.

7. Review of the Policy:

This Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

8. Material Subsidiaries

There are no subsidiaries of the company.