

KONARK SYNTHETIC LIMITED

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KONARK SYNTHETIC LIMITED

POLICY ON DETERMINING THE
MATERIAL SUBSIDIARIES

(as approved and adopted by the Board of Directors in its meeting held on 14th November, 2014)

1) PURPOSE OF THE POLICY

The purpose of this Policy is determination of Material Subsidiaries and disclosure thereof as required by Clause 49 (V) of the Listing Agreement. This Policy also intends to ensure the governance perspective of Material Subsidiaries by complying with the minimum directorship requirements, review of financial statements, bringing to the attention of the Board certain transactions/arrangements, rules regarding disinvestment of shares held by the Company and restrictions thereof, on selling/ disposing/ leasing of assets of such material subsidiaries by the Company

The Board of Directors (“Board”) of Konark Synthetic Limited (“Company”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below. The Board may review and amend this policy from time to time. The Policy will be applicable to the Company w.e.f 14th November, 2014.

2) OBJECTIVE OF THE POLICY

The objective of this Policy is to determine (a) Meaning of Material Subsidiary (b) Requirement of Independent Director in certain Material Non Listed Indian Subsidiaries (c) Restriction on disposal of shares of Material Subsidiary by the Company (d) Restriction on transfer of assets of Material Subsidiary and (e) Disclosure Requirements, based on Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

3) DEFINITION CLAUSES

“**Act**” means Companies Act, 2013 & rules made thereunder.

“**Listing Agreement**” means the Listing Agreement as entered into by the Company with the stock exchanges in India as prescribed by the Securities and Exchange Board of India.

“Audit Committee” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Agreement entered into with the Stock Exchanges and the Companies Act, 2013.

“Board” means Board of Directors of Konark Synthetic Limited.

“Company” means Konark Synthetic Limited.

“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.

“Independent Director” means a director other than a managing director or a whole-time director or a nominee director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence as laid down under section 149 of Companies Act, 2013 and Clause 49 of Listing Agreement entered into with the Stock Exchanges.

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

“Material Subsidiary” shall be considered as material if the investment of the company in the subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated 20% of the consolidated income of the company during the previous financial year.

“Policy” means Policy on determination of Material Subsidiary.

“Significant transaction or arrangement” means 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 financial year.

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

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contract (Regulation) Act, 1956 or any other applicable law or regulation.

4) PERIODICITY OF IDENTIFICATION OF MATERIAL SUBSIDIARY COMPANIES

Material subsidiary" and "**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 first meeting of Audit Committee and of the Board held every financial year.

5) INDEPENDENT DIRECTORS ON THE BOARD OF MATERIAL NON LISTED INDIAN SUBSIDIARY COMPANIES

At least one Independent Director on the Board of the Company shall be a director on the board of the Material Non Listed Indian Subsidiary.

6) SIGNIFICANT TRANSACTIONS/ARRANGEMENTS OF THE UNLISTED SUBSIDIARY COMPANIES

The management should periodically submit to the Board a statement of all the Significant Transactions and Arrangements entered into by the unlisted Subsidiary companies.

7) PLACING OF THE MINUTES OF THE BOARD MEETING OF THE UNLISTED SUBSIDIARY COMPANIES

The minutes of the Board meeting of the unlisted subsidiary companies shall be placed at the Board meeting of the company.

8) REVIEW OF FINANCIAL STATEMENTS OF THE UNLISTED SUBSIDIARY COMPANIES

The Audit Committee of the company shall also review the financial statements, in particular the investments made by the unlisted subsidiary company.

9) RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY BY THE COMPANY

The Company shall not dispose off shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than fifty percent [50%] or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in such cases where divestment is under a scheme of arrangement duly approved by a Court / Tribunal.

10) RESTRICTION ON DISPOSAL OF ASSETS OF MATERIAL SUBSIDIARY BY THE COMPANY

Selling, disposing and leasing of assets amounting to more than twenty percent [20%] of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court / Tribunal.

11) REPORTING AND DISCLOSURES

As prescribed under Clause 49V(D) of the Listing Agreement, this Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the annual report.