



Himatsingka Seide Limited

**Policy for Determining
Material Subsidiaries**

(Effective from October 1, 2014)

Preamble

It has been mandated by the amendment to the Clause 49 of the Listing Agreement (vide SEBI circular no. circular CIR/CFD/POLICY CELL/2/2014, dated April 17, 2014) which would take effect from October 1, 2014, for every listed Company to formulate a policy on determining material subsidiaries. This policy is formulated in compliance with the aforesaid requirement.

The Board of Directors of the Himatsingka Seide Limited has, at its meeting held on September 23, 2014 approved and adopted this policy.

Effective Date

This policy shall take effect from October 1, 2014.

Definitions

For the purpose of this policy:

“**Board**” means Board of Directors of HSL.

“**Company or HSL**” shall mean Himatsingka Seide Limited, wherever it is referred to in the policy.

“**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.

“**Directors**” shall mean the directors of HSL.

“**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 twenty per cent of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

“**Material Subsidiary**” shall mean a subsidiary in which the investment of the company exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or a subsidiary which has generated twenty per cent of the consolidated income of the company during the previous financial year.

“**Significant transaction or arrangement**” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 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 company**” in relation to HSL means a company in which HSL-

- (1) controls the composition of the Board, or
- (2) exercises or control more than half of the total share capital either at its own or together with one or more of its subsidiary companies.

The expression "total share capital" means, the aggregate of the:-

- (a) paid-up equity share capital; and
- (b) convertible preference share capital

For the purposes of this definition,—

- a) a company shall be deemed to be a subsidiary company of HSL even if the control referred to in clause (1) or clause (2) is of another subsidiary company of HSL;
- 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;

Determination of Material Subsidiary

The management shall, based on the audited financials of the Company, review all its subsidiaries annually with respect to the definition of materiality given in this policy and shall bring to the notice of the Board in case of any change in the status of any of the subsidiaries of the Company. The Board shall then consider the same and ensure that the compliances as required under the listing agreement are complied with respect to the material subsidiary/ies.

Disposal of shares of Material Subsidiary by the Company:

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% 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.

Disposal of its assets by Material Subsidiary:

Selling, disposing and leasing of assets amounting to more than twenty per cent 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.

Other requirements with regards to material non-listed Indian subsidiary:

- At least one independent director on the Board of Directors of the Company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.
- The Audit Committee of Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- The minutes of the Board meetings of the unlisted subsidiary company (irrespective of materiality) shall be placed at the Board meeting of the listed holding company.
- The management should 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.
- Where the Company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

This policy shall be disclosed on the Company's website and the web link to the same shall be provided in the Annual Report.