

**POLICY ON MATERIAL
SUBSIDIARIES
OF
SOMANY CERAMICS LIMITED**

POLICY ON MATERIAL SUBSIDIARIES

[Pursuant to Regulation 16(1) (c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

1. INTRODUCTION

The Board of Directors (the “Board”) of Somany Ceramics Limited (the “Company” or “SCL”) at their Board Meeting held on 22nd January, 2015 adopted the Policy on Material Subsidiaries and procedures with regard to determination of Material Subsidiaries in terms of Clause 49 of the Listing Agreement [as amended vide Circular issued by Securities and Exchange Board of India (SEBI) Ref. No.CIR/CFD/POLICYCELL/2/2014 dated April 17, 2014 and further amended vide Circular No. CIR/CFD/POLICYCELL/7/2014 dated September 15, 2014] entered into by the Company with the Stock Exchanges.

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations/LODR) and amendment Regulation, 2018, in pursuant to Regulation 16 (1) (c) of Listing Regulations, every listed entity is required to formulate a policy for determining ‘material’ subsidiary.

In view of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018, the Board of Directors at their meeting held on 11th February, 2019 upon recommendation of Audit Committee decided to amend the Policy and adopted a Revised Policy on Material Subsidiary which will be effective from 1st April, 2019.

2. POLICY OBJECTIVE

To determine the Material Subsidiaries of SCL and to provide the governance framework for such subsidiaries.

3. EFFECTIVE DATE

The Policy shall become effective from 1st April, 2019.

4. DEFINITIONS

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**Board of Director**” or “**Board**” means the Board of Directors of SCL, as constituted from time to time.

“**Company**” means Somany Ceramics Limited or SCL.

“Independent Director” means Director of the Company, not being a Whole-time Director and who satisfies the criteria for independence under Section 149 of Companies Act, 2013 and Regulation 16 (1) (b) of (Amended Listing Regulations), as amended from time to time.

“Policy” means Policy on Determining of Material Subsidiaries.

“Material subsidiary” shall mean a subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 10% of the consolidated income or net worth respectively of the listed holding company and its subsidiaries in the immediately preceding accounting year.

“Net Worth” means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.

“Significant Transaction or Arrangement” 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 unlisted subsidiary for the immediately preceding accounting year.

“Subsidiary Company” shall mean a subsidiary as defined under Section 2(87) of the Companies Act, 2013 and the Rules made thereunder.

5. POLICY

- a) Corporate Governance Requirement with respect to material subsidiary of the Company

[For the purpose of this para the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.]

- (i) At least one Independent Director on the Board of Directors of the Company shall be a director on the Board of Directors of the Material Non-Listed Subsidiary Company, whether incorporated in India or not.
- (ii) The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting 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.

For the purpose of this regulation, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total

expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

- (iii) The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
- (iv) Subsidiary company shall not either by its own or through its nominees, holds any shares in the Company.

The Company shall not directly/ indirectly purchase its own shares or other specified securities through any subsidiary company including its own subsidiary companies.

- (v) The Company shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
 - (vi) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year 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[, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- b) The Company and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019.

6. DISCLOSURE(S)

The Company shall disclose the policy on material subsidiaries on the Company's website i.e. www.somanyceramics.com and a web link thereto shall be provided in the Annual Report of the Company.

The Company shall disclose all events or information with respect to subsidiaries which are material for the Company to Stock Exchange.

7. SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

8. AMENDMENTS TO THIS POLICY

The Board of Directors on its own and/or as per the recommendations of Audit Committee can amend this Policy, as and when required to comply with the applicable provisions. Any or all provisions of this Policy are subject to revision/amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.