

# SWARNSARITA GEMS LIMITED

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## **POLICY ON MATERIAL SUBSIDIARIES**

### **PREFACE**

The Board of Directors (the “Board”) of Swarnsarita Gems Limited (the “Company”) had adopted the policy and procedures with regard to determination of Material Subsidiaries effective from 1<sup>st</sup> October, 2014.

The said policy was prepared in accordance with Clause 49 of the Listing Agreement. Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), effective from 1st December, 2015, the definition of material subsidiary has been amended.

In view of the said amendment, this modified policy with regard to determination of Material Subsidiaries under Listing Regulations has been adopted by the Board.

### **POLICY OBJECTIVE**

The objective of this Policy is to determine the Material Subsidiaries of Swarnsarita Gems Limited and to provide the governance framework for such subsidiaries.

### **DEFINITIONS**

“Act” means the Companies Act, 2013

“**Policy**” means Policy for Determining Material Subsidiaries.

“**Audit Committee or Committee**” means “**Audit Committee**” constituted by the Board of Directors of the Company, from time to time, under provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 / erstwhile Listing Agreement and the Companies Act, 2013.

“**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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

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

“**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.

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

# SWARNSARITA GEMS LIMITED

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“**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 material subsidiary for the immediately preceding accounting year.

*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.*

## **CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY**

A subsidiary shall be a Material Subsidiary, if any one of the following conditions is satisfied:

- a. If the income of the subsidiary exceeds twenty per cent of its consolidated income of the Company and its subsidiaries in the immediately preceding accounting year; or
- b. If the net worth of the subsidiary exceeds twenty per cent of the consolidated net worth of the Company and its subsidiaries in the immediately preceding accounting year.

Based on audited consolidated and standalone annual financial statements of Company and its subsidiaries, in each financial year, the Company would identify the subsidiaries which would get covered under the definition of material subsidiary as provided above.

### **Governance framework**

- The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted material subsidiary;
- The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board 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 material subsidiary;
- One Independent Director of the Company shall be a director on the Board of the unlisted material subsidiary;
- The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the all significant Transaction or Arrangement defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.

# SWARNSARITA GEMS LIMITED

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## **Disposal of Material Subsidiary**

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 per cent or cease the exercise of control over the subsidiary; or
- amounting to more than 20 percent of the assets of the material subsidiary on an aggregate basis during a financial year.

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 under the Companies Act, 2013 or rules made thereunder.

## **Policy Review**

This policy is framed pursuant to the provisions of the Companies Act 2013 and rules thereunder and the requirements of the revised clause 49 of the Listing agreement *dated September 15, 2014*.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.