

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

INTRODUCTION:

This Policy will be applicable to the Company with effect from 1st December, 2015 in terms of Clause 16 (c) of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") extends certain principle of corporate governance to material subsidiaries of listed companies.

The Policy is framed in accordance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments thereof).

This Policy will be used to determine the Material Subsidiaries and Material Non-listed Indian Subsidiary of the Company and to provide the governance framework for such subsidiaries.

DEFINITIONS:

"Audit Committee or Committee" means Audit Committee constituted by the Board of Directors of the Company, from time to time under the provisions of SEBI LODR, 2015, or the Companies Act, 2013.

"Board of Directors or Board" means the Board of Directors of **DHANLAXMI FABRICS LIMITED** as constituted from time to time.

"Company" means **DHANLAXMI FABRICS LIMITED**

"Independent Director" means a Director of the Company, not being a whole time Director 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 Schedule IV of the Companies Act, 2013 and the SEBI's LODR, 2015 entered into with the stock exchanges.

"Policy" means Policy on **Material Subsidiary**.

"Material Subsidiary" shall mean a Subsidiary whose income or net worth exceeds 20 per cent of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding financial year.

"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 material subsidiary for the immediately preceding accounting year.

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

"Unlisted Subsidiary" means Subsidiary whose securities are not listed on any recognized Stock Exchanges

CRITERIA:

A subsidiary shall be considered **Material** if any of the following conditions is satisfied:

- the investment of the Company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year;
or
- the subsidiary has generated twenty per cent of the consolidated income of the Company during the previous financial year.



GOVERNANCE FRAMEWORK:

1. One Independent Director of the Company shall be a Director on the Board of the unlisted material subsidiary, incorporated in India.
2. The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on an annual basis.
3. The minutes of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.
4. 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.
5. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the company.

DISPOSAL OF MATERIAL SUBSIDIARY

The Company shall not:

- dispose of the 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 divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- sell, dispose off and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year without 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.

DISCLOSURE OF THE POLICY:

This Policy shall be uploaded on the Company's website for public information and a web link for the same shall also be provided in the Annual Report of the Company.

REVIEW:

The Board will review this policy and make such revisions as may be required or deemed necessary from time to time by reason of any changes in applicable statutory provisions

For Dhanlaxmi Fabrics Limited

Vinod S. Jhawar



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