
POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

(Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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1. INTRODUCTION

In pursuance of Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulations**”), requires every Listed Company to formulate a Policy to determine the Material Subsidiary.

The Board of Directors (the “**Board**”) of M. K. Sons Fine Jewels Limited (the “**Company**”) has adopted the following policy and the Board may amend this policy from time to time.

This Policy will be used to determine the material subsidiaries and to provide the governance framework for such subsidiaries.

2. APPLICABILITY/IDENTIFICATION OF A ‘MATERIAL SUBSIDIARY’

A Subsidiary shall be a Material Subsidiary if, any of the following conditions are satisfied:

- the net worth of the subsidiary exceeds 10 per cent of the consolidated net worth of Company and its subsidiaries in the immediately preceding accounting year; or
- the turnover of the subsidiary exceeds 10 per cent of the consolidated turnover of Company and its Subsidiaries in the immediately preceding accounting year.

3. DEFINITIONS

- a) “**Act**” means Companies Act, 2013, as amended, and includes rules made thereunder.
- b) “**Audit Committee or Committee**” means Audit Committee constituted by the Board of Directors of the Company, from time to time, in accordance with Section 177 of the Act and Regulation 18 of the Listing Regulations.
- c) “**Board**” means the board of directors of Company, as constituted from time to time;
- d) “**Company**” means M. K. Sons Fine Jewels Limited
- e) “**Independent Director**” means an Independent Director referred to in Section 149(6) of the Act, and / or Regulation 16(b) of the SEBI Listing Regulations.
- f) “**Policy**” means the policy for determining Material Subsidiaries.
- g) “**Listing Regulations**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the circulars issued thereunder and amendments thereto;
- h) “**Subsidiary**” shall mean a subsidiary as defined under 2(87) of the Act.
- i) “**Material Unlisted Indian Subsidiary**” shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- j) “**Unlisted Subsidiary**” means a subsidiary whose securities are not listed on any recognized Stock Exchanges
- k) “**Net worth**” as defined under Section 2(57) of the Act means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.
- l) “**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

All the words and expressions used in this Policy, unless not defined herein, shall have the meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Act and the Rules, Notifications, and Circulars made/issued thereunder, as amended, from time to time.

4. POLICY

1. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiaries.

2. The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meeting of the Board of Directors of the Company.
3. A statement of all Significant Transactions or Arrangements entered into by the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company.
4. A list of all subsidiaries together with the details of the materiality defined herein shall be submitted to the Audit Committee for review the same and suitable recommendations to the Board.
5. At least one independent director on the board of directors of the Company shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.
Explanation- For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 of the Listing Regulations, the term "material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds 10% of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
6. The Company's material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex the secretarial audit report with the annual report of the company.
7. The Company shall not without the prior approval of the Shareholders by way of Special resolution
 - a) 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 or equal to 50% or cease the exercise of control over the subsidiary except in cases where such divestment is made under a scheme of arrangement duly approved by a Court / Tribunal / Company Law Board or under a resolution plan duly approved under section 31 of the Insolvency and Bankruptcy Code 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
 - b) Selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during the financial year, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal/Company Law Board or under a resolution plan duly approved under section 31 of the Insolvency and Bankruptcy Code 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
8. Every material unlisted subsidiary incorporated in India shall undertake secretarial audit and the secretarial audit report shall be annexed with annual report of the Company.

5. DISCLOSURE

As prescribed under Regulation 46(2)(h) of the Listing Regulations, this Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the annual report of the Company.

6. REVIEW OF THE POLICY

The audit committee shall review this Policy periodically.

7. LIMITATION AND AMENDMENT

In case there are any modification(s)/amendment(s)/notification(s)/circulars(s), guidance note(s), informal guidance(s) issued by SEBI / MCA or judgements made by the Tribunal or any Court which has the effect of amendment in the Regulation(s)/Section(s)/ Rule(s) made thereunder, the Company Secretary & Compliance Officer is authorized to make amendments/modifications in this policy as to the extent applicable.

The amended policy shall be issued and published as necessary without any requirement for approval from the Board of Directors, however it shall be taken note by the Board of Directors in their ensuing Meeting(s). In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over the policy.

8. EFFECTIVE DATE

Provisions of the regulations under this policy shall be applicable to the company from the date when the securities of the company are listed on Stock Exchanges.