

S. P. APPARELS LIMITED

Policy on determining Material Subsidiaries

Adopted on 06.08.2016.

GLOSSARY

“*Audit Committee*”: implies the audit committee constituted by the Board of Directors of the Company (as defined below) from time to time under provisions of the SEBI Listing Regulations (as defined below) and the Companies Act, 2013

“*Board*”: implies Board of Directors of S. P. APPARELS LIMITED

“*Company*”: implies S. P. APPARELS LIMITED

“*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 shareholder agreements or voting agreements or in any other manner.

“*Directors*”: implies all the Directors on the Board.

“*Independent Director*” or “*ID*” : implies a non- executive Director of the Company, other than a nominee Director and who is neither a promoter nor belongs to the promoter group of the Company or its subsidiaries, and who is a director of the Company, as defined under the Companies Act, 2013 and satisfies other criteria for independence mentioned in the Companies Act, 2013 and the SEBI Listing Regulations.

“*SEBI Listing Regulations*”: implies the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto

“*Material Subsidiary*”: Implies a subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

“*Policy*”: implies this policy on determination of Material Subsidiaries of the Company

“*Significant Transaction or Arrangement*”: implies 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 mean as defined under the Companies Act, 2013 and the Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI Listing Regulations, Securities Contract (Regulation) Act, 1956 or any other applicable law or regulation. The terms of this Policy are subject to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations and in the event of any inconsistency, the provisions of the Companies Act, 2013 and the SEBI Listing Regulations shall prevail.

1. **PURPOSE OF THE POLICY:** The purpose of this Policy is determination of Material Subsidiaries and disclosure thereof as required under Regulations 16(1)(c) and 24 of the SEBI Listing Regulations. The Policy also intends to ensure and provide the governance framework of Material Subsidiaries by complying with directorship requirements, review of financial statements, bringing to the attention of the Board certain transactions/arrangements, rules regarding disinvestment of shares held by the Company and restrictions on selling/ disposing/ leasing of assets of such Material Subsidiaries held by the Company.

2. **OBJECTIVE OF THE POLICY:** The objective of this Policy is to determine (a) meaning of Material Subsidiary (b) requirement of Independent Director in certain unlisted Material Subsidiaries, incorporated in India (c) Restriction on disposal of shares of Material Subsidiary by the Company (d) Restriction on transfer of assets of Material Subsidiary and (e) disclosure requirements, under the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. **INDEPENDENT DIRECTOR ON THE BOARD OF MATERIAL NON LISTED INDIAN SUBSIDIARY:** At least one Independent Director on the Board of the Company shall be a director on the board of the unlisted Material Subsidiary, incorporated in India.

4. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted Subsidiary.

5. The minutes of the meetings of the board of directors of the unlisted Subsidiary shall be placed at the Board meetings of the Company.

6. **SIGNIFICANT TRANSACTIONS/ARRANGEMENTS OF UNLISTED SUBSIDIARY COMPANIES:** The management of the unlisted Subsidiary should periodically bring to the attention of the Board, a statement of all Significant Transactions and Arrangements entered into by the unlisted Subsidiary.

7. **RESTRICTION ON 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 fifty percent [50%] or cease the exercise of control over the subsidiary without passing a special resolution in its general meeting except in such cases where divestment is made under a scheme of arrangement duly approved by a court/ tribunal

8. **RESTRICTION ON DISPOSAL OF ASSETS OF MATERIAL SUBSIDIARY:** Selling, disposing and leasing of assets amounting to more than twenty percent [20%] 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.

9. If the Company at any time has a listed Subsidiary which is itself a holding company, the provisions of the SEBI Listing Regulations shall apply to the listed Subsidiary in so far as its Subsidiaries are concerned.

10. **REPORTING AND DISCLOSURE:** As prescribed by Clause 46(2) (h) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website i.e., <http://www.spapparels.com> and a web link thereto shall be provided in the annual report.

11. **REVIEW OF THE POLICY:** This Policy shall be subject to review as may be deemed necessary as per any regulatory amendments.

12. **COMPLIANCE RESPONSIBILITY:** Compliance of this Policy shall be the responsibility of the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

Date: 06.08.2016