

**CARNATION INDUSTRIES
LIMITED**

**POLICY FOR
DETERMINING
MATERIAL
SUBSIDIARIES**

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

INTRODUCTION

The Board of Directors (the "Board") of Carnation Industries Limited (the "Company") has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below. The Board may review and amend this policy from time to time.

This Policy is in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

OBJECTIVE:

The objective of the Policy is to determine the Material Subsidiaries of Carnation Industries Limited and to provide the governance framework for such subsidiaries.

DEFINITIONS:

"Audit Committee" means Audit Committee constituted by the Board of Directors of the Company, from time to time, under Section 177 of the Companies Act, 2013 and the Listing Agreement.

"Board of Directors" or "Board" means the Board of Directors of Carnation Industries Limited, as constituted from time to time.

"Company" means Carnation Industries Limited.

"Independent Director" means a director of the Company, not being in whole time employment and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies the criteria for independence as prescribed under Section 149 of the Companies Act, 2013 and the Listing Agreement with the stock exchanges.

"Policy" means this Policy on Material Subsidiary, as amended from time to time.

"Significant Transaction or Arrangement" means 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 material unlisted subsidiary for the immediately preceding accounting year.

"Subsidiary" shall mean a subsidiary as defined under the Companies Act, 2013.

POLICY:

- a. A subsidiary shall be considered as material if :
 - ✓ the investment of the Company in the subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year or
 - ✓ the subsidiary has generated twenty percent of the consolidated income of the Company during the previous financial year.
- b. A “material non-listed Indian subsidiary” shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.
- c. One Independent Director of the Company shall be a director on the Board of the Material Non-Listed Indian Subsidiary Company.
- d. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on an annual basis.
- e. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company on an half yearly basis.
- f. The management shall on a half yearly basis 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.
- g. The management shall periodically bring to the attention of the Audit Committee and Board of Directors of the Company, a statement of all significant transactions & arrangements entered into by the material unlisted subsidiary company.

IDENTIFICATION OF 'MATERIAL' SUBSIDIARY:

The Company without passing a special resolution in its General Meeting shall not:-

- dispose shares in the material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or
- dispose shares in the material subsidiary which would cease the exercise of control over the subsidiary or
- sell, dispose or lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year,

Unless in cases where the disinvestment/sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/ Tribunal.

SCOPE AND LIMITATION

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

DISSEMINATION OF POLICY

The Policy for determining material subsidiaries is to be disclosed in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at www.Carnation.org.in.
