

POLICY FOR DETERMINING MATERIAL SUBSIDIARY(IES)

1. Introduction:

The Securities and Exchange Board of India (SEBI) on 2nd September, 2015 issued the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the “Regulations”) with the aim to consolidate and streamline the provisions of listing agreements thereby ensuring better enforceability and bringing the basic framework governing the regime of Listed Entities in line with the Companies Act, 2013 and at the same time compiling all the mandates of varied SEBI Regulations/Circulars.

In terms of Regulation 16(1)(c) of the Regulations, the Company was required to formulate and implement a policy for determining ‘material’ subsidiaries. The Board of Directors of Crescent Finstock Limited (the “Company”) had adopted the Policy for determining for Material Subsidiary(ies) and procedures with regard to determination of material subsidiary(ies) at their meeting held on 30th January,2016.

At the time of formulating the Policy, the Company had no material subsidiaries and there was no immediate applicability. However, the Policy was devised in order to cater to the needs of the Company in future when the Company would have a material subsidiary(ies).

Further based on the recommendation of the SEBI Committee on Corporate Governance which was formed on 2nd June,2017 under the Chairmanship of Mr. Uday Kotak, with the aim of improving standards of corporate governance of listed companies in India, SEBI brought in the amendment and modified the existing Regulations based on the recommendations of SEBI Committee through SEBI (Listing Obligation and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9th May, 2018 read with SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018 dated 31st May, 2018 (“Amended Regulations”).

Further in order to effect the amendments as notified in the above Amended Regulations to this Policy, the Board of Directors of the Company approved and adopted the revised ‘Policy for Determining Material Subsidiary(ies)’ on 30th March, 2019.

2. Objective:

The objective of this Policy is to set forth the criteria towards ascertaining Material Subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

3. Definitions:

“**Act**” means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“**Audit Committee**” means Committee constituted pursuant to Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any statutory modification(s) or re-enactment(s) thereof.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“Company” means Crescent Finstock Limited.

“Control” shall have the same meaning as assigned to the term in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“Independent Director” shall have the meaning as ascribed to the term under Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 149 of the Companies Act, 2013, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“Insolvency Code” means Insolvency Code as defined under Regulation 2(1)(na) of SEBI (LODR) Regulations, 2015, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“Material Subsidiary” shall have the meaning as stated in paragraph 4 of this Policy.

“Net Worth” means net worth as defined in Section 2(57) of the Companies Act, 2013 read with Regulation 2(1)(s) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“Policy” means this Policy for determining Material Subsidiaries.

“Significant Transaction or Arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the

- i) total revenues; or
- ii) total expenses; or
- iii) total assets; or
- iv) total liabilities; as the case may be, of the Unlisted Subsidiary for the immediately preceding accounting year.

“Stock Exchange” means Metropolitan Stock Exchange of India Limited.

“Subsidiary” shall be as defined under Section 2(87) of the Companies Act, 2013 and the Rules made thereunder.

“Unlisted Material Subsidiary” means a Material Subsidiary whose equity shares are not listed on any recognized stock exchange in India.

“Unlisted Subsidiary” means a Subsidiary whose equity shares are not listed on any recognized stock exchange.

4. Determination of Material Subsidiary:

A subsidiary of the company shall be considered as a ‘Material Subsidiary’, if the income or net worth of the Subsidiary exceeds 10% of consolidated income or net worth respectively of the Company and its subsidiaries as per the audited financial statements of the immediately preceding financial year.

The Company shall, on formation of a subsidiary, at the end of every year, determine whether the Subsidiary falls under the criteria for Material Subsidiary as defined above. In case the Subsidiary falls under such criteria, the same is to be reported to the Board for its noting at the first instance.

5. Governance Framework:

1. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the Unlisted Subsidiary company.
2. The minutes of the Board meetings of the Unlisted Subsidiary companies shall be placed at the Board Meeting of the Company.
3. At least one independent director on the Board of Directors of the Company shall be a director on the Board of Directors of unlisted Material Subsidiary, whether incorporated in India or not. For the purpose of the above-mentioned point 3., the term “material subsidiary” means 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.
4. The management of the Unlisted Subsidiary shall quarterly bring to the notice of the Board of the Company, a statement of all Significant Transaction(s) and Arrangement entered into by the Unlisted Subsidiary/ies.

6. SECRETARIAL AUDIT OF MATERIAL SUBSIDIARY

Every Company and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, with effect from the year ended March 31, 2019.

7. DISPOSAL OF MATERIAL SUBSIDIARY

The Company shall not 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 fifty percent or cease the exercise of control over the subsidiary 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, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved. Selling, disposing and leasing of assets amounting to more than twenty percent 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 or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

8. AMENDMENTS TO THE POLICY:

The Board shall have the power to clarify any doubts or rectify any anomalies that may exist in connection with the effective execution of this Policy. The Board reserves the right to amend this Policy from time to time based on changing requirements as prescribed by SEBI/Stock Exchange(s) or any other appropriate Statutory Authority.

9. DISCLOSURE OF THE POLICY

The Company shall disclose this Policy on its website. The necessary disclosure, if any, about the policy will also be made as per the requirements of LODR Regulations and Companies Act 2013.