

# **GITANJALI GEMS LIMITED**

## **POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

### **PREFACE**

The Board of Directors (the "Board") of Gitanjali Gems Limited (the "Company") had adopted the policy and procedures with regard to determination of Material Subsidiaries effective from 1<sup>st</sup> October, 2014

The said policy was prepared in accordance with Clause 49 of the Listing Agreement. Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), effective from 1<sup>st</sup> December, 2015, the definition of material subsidiary has been amended.

In view of the said amendment, this modified policy with regard to determination of Material Subsidiaries under Listing Regulations has been adopted by the Board.

### **POLICY OBJECTIVE**

The objective of this Policy is to determine the Material Subsidiaries of Gitanjali Gems Limited and to provide the governance framework for such subsidiaries.

### **DEFINITIONS**

"Act" means the Companies Act, 2013

"Audit Committee or Committee" means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 / erstwhile Listing Agreement and the Companies Act, 2013.

"Independent Director" means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

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

"Material subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

"Net Worth" means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.

"Significant transaction or arrangement " shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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.

### **CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY**

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

- a. If the income of the subsidiary exceeds twenty per cent of its consolidated income of the Company and its subsidiaries in the immediately preceding accounting year; or
- b. If the net worth of the subsidiary exceeds twenty per cent of the consolidated net worth of the Company and its subsidiaries in the immediately preceding accounting year.

Based on audited consolidated and standalone annual financial statements of Company and its subsidiaries, in each financial year, the Company would identify the subsidiaries which would get covered under the definition of material subsidiary as provided above.

### **PROCESS**

- A. If any subsidiary is found to be material , the Company should comply the following:
  - 1) The Company will not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with 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 such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal
  - 2) The Company will not sell, dispose off and lease any 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. However, the said approval is not required if the sale/disposal/lease is made under a scheme of arrangement duly approval by a Court/Tribunal.
  - 3) At least one Independent Director of the Board of the Company shall be a director on the Board of Directors of an unlisted material subsidiary, incorporated in India.
- B. The Management of the unlisted material subsidiary shall periodically bring to the notice of the board of directors of the Company , a statement of all significant transactions and arrangements entered into by the said unlisted material subsidiary.
- C. The Company shall comply with such other requirement in relation to unlisted material subsidiary as may be mandated under the Act and/ or Listing Regulations, from time to time.

### **AMENDMENT**

The Board may amend or modify this Policy in whole or in part, from time to time.