



Policy for Determining Material Subsidiaries

Zodiac Clothing Company Limited

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ZODIAC CLOTHING COMPANY LIMITED

Policy for Determining Material Subsidiaries

1 Preamble:

The Board of Directors (“**the Board**”) of Zodiac Clothing Company Limited has adopted this policy for determining material subsidiary(ies) of the Company in accordance with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulation**”) or such other rules/regulations, as may be notified by the Securities and Exchange Board of India from time to time.

The aforesaid policy lays down the requirement for formulating policy for determining material subsidiary. Accordingly, the existing policy for determining material subsidiaries of the Company is being replaced with this policy.

2 Policy

A Subsidiary shall be considered as “**Material Subsidiary**” if the turnover or net-worth of the respective subsidiary exceeds ten (10) percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

3 Governance Requirements relating to subsidiary companies

- a. The Audit Committee shall review the financial statements of the subsidiary and in particular investments made by those subsidiaries
- b. Minutes of the meeting of the board of directors of the subsidiary shall be placed before the meeting of the board of directors of the Company.
- c. A statement of all significant transactions (i.e. any transactions or arrangements that exceeds or likely to exceed ten (10) percent of the total revenues or expenses or assets or liabilities of unlisted subsidiary company for the immediately preceding financial year.
- d. At least one Independent Director on the Board of the Company shall be appointed as a director on the material unlisted subsidiary company incorporated in India.

For the purposes of paragraph 3(d), notwithstanding anything to the contrary contained in paragraph 2 above, the term “material subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds twenty (20) percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

4 Disposal of material subsidiary

The Company shall not:

- a. Dispose of the shares in a material subsidiary which shall reduce its shareholding to less than fifty (50) percent or cease to exercise control over the subsidiary without seeking / passing a Special Resolution at its general meeting, except in case where such divestment is being carried out under a scheme of arrangement duly approved by Court / Tribunal.
- b. Sell, dispose and lease the assets amounting to more than twenty (20) percent of its material subsidiary on an aggregate basis during a financial year without prior approval of the shareholder, unless such sale, disposal or lease is made under a scheme of arrangement duly approved by a Court / Tribunal.

5 Review of Policy

This policy shall be subject to review as may be deemed necessary and in accordance with any statutory / regulatory requirements. The Board shall have power to amend any of the provisions of this Policy, by substitution of any of the provisions or replace the entire Policy by a new Policy.