

PIONEER EMBROIDERIES LIMITED ['the Company']
Policy for determining material subsidiary

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

Adopted by the Board of Directors of PIONEER EMBROIDERIES LIMITED ['the Company']: [Regulations 16, 24 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations')]

I. PURPOSE

- (1) The Purpose of this Policy is to determine material subsidiaries and dealing with such material subsidiaries in accordance with the principle stated in the Companies Act, 2013 and the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations') as amended from time to time. This Policy shall be effective from December 1, 2015 being the date when the Listing Regulations become effective.

II. DEFINITIONS

- (1) **Material subsidiary** shall have the same meaning as per Regulation 16 (1) (c) of the Listing Regulations (and as amended from time to time); which presently reads as follows:
"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.
- (2) **Significant transaction or arrangement** shall have the same meaning as per Regulation 24 (4) of the Listing Regulations (and as amended from time to time); which presently reads as follows:
The term "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.
- (3) **The Regulations:** The Regulations refers to the applicable provisions of the Companies Act, 2013, read with the rules made under the Companies Act, 2013, Articles of Association, various corporate codes, regulations, policies, applicable guidelines - regulations from Securities and Exchange Board of India, Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations') etc. (as amended from time to time).

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III. PROCEDURES

- (1) At least one independent director on the Board of Directors of the Company shall be a director on the Board of Directors of an unlisted material subsidiary, incorporated in India.
- (2) The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- (3) The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the Company.
- (4) The management of the unlisted 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 unlisted subsidiary.
- (5) 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 disinvestment is made under a scheme of arrangement duly approved by a Court/ Tribunal.
- (6) 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.

IV. INTERPRETATION

This Policy is intended to comply with the Companies Act, 2013 and the Listing Regulations. Notwithstanding anything herein to the contrary, this Policy will be interpreted only in such manner so as to comply with the Companies Act, 2013 and the Listing Regulations. Any word not defined in this Policy shall have the same meaning as defined under the Companies Act, 2013 and the Listing Regulations, including any amendments thereto. In case any word or provision as appearing in this Policy is contrary to the meaning or provision as provided under the Companies Act, 2013 or the Listing Regulations, then the meaning or provision as provided under the Companies Act, 2013 / the Listing Regulations shall prevail.

This policy shall always be in conformity with the provisions of the Regulations and any amendments in the Regulations shall be deemed to form part of this Policy.