

H.P. COTTON TEXTILE MILLS LIMITED

Policy for Determining Material Subsidiaries

Approved by Board : 10.08.2022
Amended by Board : 03.02.2025

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1. INTRODUCTION

In accordance with Regulation 16(1)(c) read with Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (the "Listing Regulations"), the Company has formulated this policy to determine Material Subsidiary(ies) of the Company.

2. SCOPE / OBJECTIVE OF THE POLICY:

The objective of this Policy is to determine:

- i. Meaning of Material Subsidiary;
- ii. Restriction on disposal of shares of Material Subsidiary by the Company;
- iii. Restriction on transfer of assets of Material Subsidiary; and
- iv. Disclosure requirements, under the Listing Regulations and any other laws and Regulations as may be applicable to the Company.

3. CRITERIA FOR DETERMINING "MATERIAL SUBSIDIARY"

A subsidiary of the Company shall be considered 'Material' if:

- a) the net worth of the subsidiary exceeds 10% of the consolidated net worth of the Company and its subsidiaries in the immediately preceding accounting year; or
- b) the turnover of the subsidiary exceeds 10% of the consolidated turnover of the Company and its subsidiaries in the immediately preceding accounting year.

For the purpose of determining material subsidiaries for appointment of an independent director of the Company on the Board of Directors of such subsidiaries, the criterion of 20% of the consolidated turnover or net worth of the Company and its subsidiaries in the immediately preceding accounting year shall apply.

4. GOVERNANCE OF MATERIAL SUBSIDIARIES:

- a) At least one independent director on the Board shall be appointed as a director on the board of directors of an unlisted Material Subsidiary, whether incorporated in India or not.
Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in this Policy or in the SEBI Listing Regulations, the term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- b) The Audit Committee shall review the financial statements, in particular, the investments made by the unlisted Material Subsidiary.
- c) The minutes of the meetings of the board of directors of the unlisted Material Subsidiary shall be placed at the meeting of the Board.
- d) The management of the unlisted Material Subsidiary shall periodically bring to the attention of the Board, a statement of all significant transactions and arrangements entered into by the unlisted Material Subsidiary.
Explanation- For the purpose of this provision, 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 subsidiary for the immediately preceding accounting year.
- e) The Company shall not dispose of shares in its Material Subsidiary which would reduce the shareholding of the Company (either on its own or together with other subsidiaries) to less than or equal to 50% or cease the exercise of control over such Material 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.

- f) The Company shall not sell, dispose and lease of assets amounting to more than 20% 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, 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.

However, nothing contained in this clause shall be applicable, if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company.

- g) The unlisted Material Subsidiaries incorporated in India shall undertake secretarial audit by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary; and the Company shall annex a secretarial audit report with its annual report.
- h) The Company shall disclose all events or information with respect to its Subsidiaries which are material for the Company as per Regulation 30(9) of the SEBI Listing Regulations.

5. DISCLOSURE OF THE POLICY

This Policy shall be disclosed on the Company's website www.hpthreads.com and web link thereto shall be provided in the Annual Report of the Company.

6. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company, as may be necessary.

This Policy is amended by the Board of Directors at their meeting held on February 03, 2025 and shall be effective from February 03, 2025.
