



# AXITA COTTON

Policy for Determining Material  
Subsidiary

## 1. PREAMBLE

This Policy for Determining Material Subsidiary ("**Material Subsidiary Policy**") has been formulated in accordance with the provisions of Regulation 16(1)(c), Regulation 24 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), as amended from time to time.

This Policy also takes into account relevant amendments notified by the Securities and Exchange Board of India from time to time, including the SEBI (LODR) Amendment Regulations, 2024 and subsequent clarifications, FAQs (April 2025) and the SEBI Master Circular for Listed Entities.

## 2. Objective

The objective of this Policy is to determine the material subsidiaries of the Company and to provide an appropriate governance framework for such subsidiaries in line with the requirements of the Listing Regulations and applicable SEBI circulars and clarifications.

## 3. Definitions

"**Act**" means Companies Act, 2013 including any statutory modification or reenactment thereof.

"**Board of Director**" or "**Board**" means the Board of Directors of the Axita Cotton Limited, as constituted from time to time.

"**Company**" means Axita Cotton Limited.

"**Holding Company**" means Holding Company as defined under Section 2(46) of the Act.

"**Independent Director**" means an Independent Director as defined in Section 2(47) of the Act read with SEBI LODR and as may be amended from time to time.

"**Policy**" means this Policy on Material Subsidiaries and as may be amended from time to time.

"**Subsidiary Company / Subsidiary**" means Subsidiary Company / Subsidiary as defined under Section 2(87) of the Act and the Rules made there under.

A "Material Subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds ten percent (10%) of the consolidated turnover or net worth, respectively, of the Company and its subsidiaries, as per the audited consolidated financial statements of the immediately preceding financial year.

This definition is aligned with Regulation 16(1)(c) of the Listing Regulations as amended, including the SEBI (LODR) Amendment Regulations, 2024, wherein the term "income" has been replaced with "turnover" for the purpose of determining materiality, and further supported by *SEBI FAQs issued in April 23, 2025*, clarifying the application of such thresholds.

For the purpose of applicability of certain governance provisions under Regulation 24 of the Listing Regulations, a subsidiary shall be considered material if its turnover or net worth exceeds twenty percent (20%) of the consolidated turnover or net worth of the Company and its subsidiaries.

#### 4. Criteria for Determination and Compliance

A Subsidiary shall be considered as material if its turnover or net worth exceeds 10% (ten per cent) of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year ("Material Subsidiary").

#### 5. Governance of Material Subsidiaries

The Company shall ensure compliance with Regulation 24 of the Listing Regulations in respect of all material subsidiaries.

at least one Independent Director on the Board of the Company shall serve as a director on the Board of an unlisted material subsidiary, whether incorporated in India or outside India.

For the purpose of applicability of governance requirements under this Policy, a subsidiary shall be considered as a material subsidiary where its turnover or net worth exceeds twenty percent (20%) of the consolidated turnover or net worth, respectively, of the Company and its subsidiaries in the immediately preceding financial year.

The Company and its unlisted material subsidiaries incorporated in India shall also comply with applicable requirements relating to secretarial audit, including annexing the secretarial audit report issued by a practising company secretary to the annual report in the prescribed form..

## **6. Restrictions on Disposal of Shares**

The Company shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding to less than fifty percent (50%) or ceasing to exercise control over such subsidiary without passing a special resolution in its general meeting, except in cases permitted under applicable law, including schemes of arrangement approved by a competent authority.

## **7. Restrictions on Disposal of Assets**

I The Company shall not sell, dispose of, or lease assets amounting to more than twenty percent (20%) of the assets of the material subsidiary on an aggregate basis during a financial year without prior approval of shareholders by way of a special resolution, unless otherwise permitted under applicable law.

## **8. Exemptions**

The provisions of this Policy relating to restrictions on disposal of shares and assets shall not apply to transactions between the Company and its wholly owned subsidiaries or between wholly owned subsidiaries.

## **9. Disclosure**

As per the Regulation 46(2)(h) of the Listing Regulations, this Policy shall be disclosed on the Company's website at [www.axitacotton.com](http://www.axitacotton.com) and a web link i.e. <https://axitacotton.com/investor-relation/h-policy-for-determining-material-subsidiaries/> thereto shall be provided in the annual report.

## **10. Review of Policy**

The Board of Directors or any Committee authorised by the Board may review, amend, modify or rescind this Policy at any time, subject to applicable provisions of the Listing Regulations, as amended.

In case of any inconsistency between this Policy and applicable law, the provisions of the Listing Regulations shall prevail.

**11. Amendment**

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material subsidiary Companies.

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