

## **POLICY ON MATERIAL SUBSIDIARIES**

1. The Company has formulated a policy on Material Subsidiaries in terms of the provisions of Clause 49 (V) of the amended Listing Agreement entered by the Company with Stock Exchanges. The Policy shall be disclosed to Stock Exchange and in the Annual Report.
2. The Company has following Subsidiaries at present :
  - i. Petroleum Specialities Pte. Ltd. Singapore (PSPL) – Wholly owned Subsidiary
  - ii. Quantum Apar Speciality Oils Pty. Ltd., Australia, Subsidiary of PSPL
  - iii. Apar Lubricants Ltd.- Wholly-Owned Subsidiary
3. For the purpose of this clause, a Company shall be considered as “Material Subsidiary” if –
  - a. the investment of the Company in the subsidiary exceeds twenty per cent of its consolidated net worth of the Company as per the audited balance sheet of the previous financial year or
  - b. if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.
4. On the basis of the above definition, as on date the Company does not have any Material Subsidiary.
5. The company shall not dispose of shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other 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.
6. Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the Material Subsidiary 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.
7. At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.
8. The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
9. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company. The management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

**Explanation (i) :** The term “material non-listed Indian subsidiary” shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

**Explanation (ii) :** The term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the material unlisted subsidiary for the immediately preceding accounting year.

**Explanation (iii):** Where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

## **ADDENDUM TO POLICY ON MATERIAL SUBSIDIARIES**

The Company had formulated and posted at its website the Policy on Material Subsidiaries in terms of Clause 49 of the Listing Agreement prevailing during the year 2014. SEBI has introduced new Listing Regulations known as Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (*hereinafter referred to as the 'Listing Regulations'*) in place of the old Listing Agreement, which have come into force with effect from 1<sup>st</sup> December, 2015.

In terms of the said Regulations the definition of "Material Subsidiary" has been revised vide Regulation 16(1)(c) which reads as 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.*

Apar Lubricants Limited, the Wholly-owned Subsidiary of the Company, has been amalgamated with the Company w.e.f. 10<sup>th</sup> November, 2015 and ceased to exist as Corporate Body with effect from that date.

Petroleum Specialities FZE, Sharjah (PS-FZE) has been incorporated on 18.11.2014. PS-FZE is a Wholly-owned Subsidiary (WOS) of Petroleum Specialties Pte. Ltd., Singapore (PSPL), which is a WOS of the Company.

Accordingly, the Policy has been amended and be read with the above changes.