

CARNATION INDUSTRIES LIMITED

Policy for Determination of Materiality of events and information for Disclosure to the Stock Exchange

1. Scope and Purpose

The Securities Exchange Board of India, on 2nd September, 2015, has come out with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations, 2015). By virtue of the said Regulations, 2015, **Carnation Industries limited** (the "Company") recognizes the need to frame a policy to determine the material events by testing the materiality as required under Regulation 30 for the purpose of proper, sufficient and timely disclosure of the same to the Stock Exchange (where the Company's equity shares are listed, herein after called "the Exchange").

This Policy for Determination of Materiality (the 'Policy') has been adopted by the Board of Directors of the Company at its Meeting held on 12th February, 2016.

2. Applicability

This Policy shall be applicable to all events in the Company, as and when they come under the criteria enumerated in the Policy.

3. Definitions

- I. **"Board"** shall mean the Board of Directors of the Company;
- II. **"Company"** shall mean Carnation Industries Limited;
- III. **"Compliance Officer"** shall mean the Company Secretary of the Company;
- IV. **"Key Managerial Personnel / KMP"** means Key Managerial Personnel as defined in sub-section (51) of Section 2 of the Companies Act, 2013 i.e.-
 - a. Chief Executive Officer (CEO)/ Managing Director (MD)/ Manager;
 - b. Whole-time Director (WTD);
 - c. Chief Financial Officer (CFO);
 - d. Company Secretary (CS).

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- V. **“Officer”** means as assigned to the term in clause (59) of Section 2 of the Companies Act, 2013 and shall include Promoters of the Company.
- VI. **“Listing Regulations 2015”** mean SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 which include modifications/clarifications/circulars thereof.

4. Policy

A. The Managing Director and Jt. Managing Director, are authorised for the purpose of determining materiality of an event or information and making disclosures to the stock exchanges.

The contact details of the above Managing Director and Jt. Managing Director so designated shall be disclosed to the stock exchange and also be placed on the Company's website.

B. Certain information would be per se Material Information as per Para A of Part A of Schedule III of the Listing Regulations, 2015.

C. Besides per se Material Information, an event / information as mentioned in Para B, C & D of Part A of Schedule III of the Listing Regulations, 2015 (copy of which is enclosed), would be deemed as Material Information under following circumstances:

- i. Where the event/information impacts sales and it is likely to have an impact of 10% or more on the gross turnover as per the last Audited Annual Accounts of the Company;
- ii. Where the event/information impacts Profit Before Tax (PBT) and it is likely to have an impact of 10% or more on the PBT of the Company as per the last Audited Annual Accounts of the Company;
- iii. Where the event/information impacts Assets or Liabilities and it is likely to have an impact of 10% or more on Net-worth of the Company as per the last Audited Annual Accounts of the Company;

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- iv. For Frauds/ defaults etc. by Directors (other than key managerial personnel) or employees of the Company involving financial impact of Rs 5 crore (Rs. Five Crore) or more.

An illustrative list of the events to which the guidelines at clause 4(C) above would be applied shall be as per Para B, C and D of Part A of Schedule III of the Listing Regulations, 2015.

D. In addition to above, the Company shall also consider the following criteria for determination of materiality of events/ information:

- i. the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
- ii. the omission of an event or information, which is likely to result in significant market reaction if the said omission came to light at a later date;
- iii. In case where the criteria specified in clause (i) and (ii) above are not applicable, an event/information may be treated as being material if such event/information is covered by criteria specified under Clause C above.

Where it is difficult to report the events based on qualitative criteria as stated above, the same may be considered material for disclosure, upon meeting materiality thresholds as mentioned in para 4(C) hereinabove.

5. Disclosure

The authorized persons shall observe the following for proper and timely disclosure to the Stock Exchange of any material events/ information as defined hereon:

- I. For determining materiality of any event/transaction, reference is to be made to this Policy and the Regulations.

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- II. Disclosure of the events enumerated in sub-para 4 of Para- A of Part- A of Schedule III of the Listing Regulations 2015 shall be made within 30 minutes of the conclusion of the Board Meeting.
- III. All events mentioned Para- A of Part A (other than sub-para 4), Para -B, Para - C and Para - D of Part- A of Schedule III of the Listing Regulations 2015, shall be disclosed by the Company as soon as reasonably possible but not later than 24 hours from the occurrence of a particular event. When the disclosure is made more than twenty four hours from the occurrence of the event or information, explanation would be provided for the delay.
- IV. Any material development of an event/information disclosed shall be made to the exchange.
- V. All the disclosures made to the Stock Exchange under this Policy shall also be disclosed on the Website of the Company and the same shall be hosted for a minimum period of five years.

6. Authority to make alterations

The Board is authorized to make such alterations to this Policy as considered appropriate, subject to the condition that such alterations shall not be inconsistent with the provisions of the Listing Regulations 2015. Approval of the Board will not be required for updating the List of events as given in annexure, if required to comply with the Listing Regulations 2015.

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B. Events which shall be disclosed upon application of the guidelines for materiality referred in sub-regulation (4) of regulation (30):

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division.
2. Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit/division (entirety or piecemeal).
3. Capacity addition or product launch.
4. Awarding, bagging,/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business.
5. Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof.
6. Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.
7. Effect(s) arising out of change in the regulatory framework applicable to the listed entity.
8. Litigation(s) / dispute(s) / regulatory action(s) with impact.
9. Fraud/defaults etc. by directors (other than key managerial personnel) or employees of listed entity.
10. Options to purchase securities including any ESOP/ESPS Scheme.
11. Giving of guarantees or indemnity or becoming a surety for any third party.

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12. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

C. Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to the listed entity which may be necessary to enable the holders of securities of the listed entity to appraise its position and to avoid the establishment of a false market in such securities.

D. Without prejudice to the generality of Para (A), (B) and (C) of Part -A of Schedule III of the Listing Regulations, the listed entity may make disclosures of event/information as specified by the Board from time to time.