

**Policy on Determination of Materiality of
Events / Information
{Under Regulation 30 of the
SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015}**

SURAT TEXTILE MILLS LIMITED

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BACKGROUND

The Securities Exchange Board of India, on 2nd September 2015, has issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “**Listing Regulations**”).

The said Regulations also mandate Surat Textile Mills Limited (“the Company”) to frame a policy for determination of materiality, based on the criteria mentioned in the Regulations, for disclosure of specified events under Regulation 30(4)(ii) of the Regulations for the purpose of adequate, accurate, explicit and timely disclosure of the same to the Stock Exchange(s). The events/information that would be disclosed would be as presently prescribed by SEBI vide circular CIR/CFD/CMD/4/2015 dated September 9, 2015 and as would be amended from time to time.

TITLE

The policy will be called as the “Policy for determination of materiality”.

APPLICABILITY

The Policy will be applicable to all the events which fall under the criteria as disclosed under the section relating to “Disclosure of events or information to Stock Exchanges”.

DEFINITIONS

“**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**Company**” means Surat Textile Mills Limited.

“**Key Managerial Personnel**” means key managerial personnel as defined in subsection (51) of section 2 of the Companies Act, 2013.

“**Material Events/Material Information**” means events/information determined based on application of the guidelines for materiality referred in Clause 6 of this Policy and sub-regulation (4) of Regulation 30 of the Regulations.

“**Material Subsidiary**” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

“**Officer**” shall have the same meaning as defined under the Companies Act, 2013 and shall also include promoter of the Company.

“**Policy**” means Policy for Determination of Materiality for Disclosures.

“**Subsidiary**” or “**Subsidiaries**” means Subsidiary or Subsidiaries of the Company.

“**Securities**” means ‘equity shares’ and ‘non-convertible debt securities’ of the Company.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreements, the Regulations, Rules thereunder, circulars and notifications issued thereto or any other applicable law or regulation to the extent applicable to the Company.

Key Managerial Personnel authorised to determine materiality

The Chief Financial Officer or failing him the Company Secretary will be the authorized Key Managerial Personnel (KMP) to determine the materiality of an event or information and for the purpose of advising on the disclosure to the stock exchanges.

5. Disclosure of events or information to stock exchanges

The events or information which will be necessary to be disclosed to the Stock Exchanges are divided into three categories as specified in the Listing Regulations:

- 5.1 Events whose disclosure is mandatory and which would need to be disclosed without any application of the test/guidelines for materiality.

The below events will be disclosed as soon as reasonably possible and not later than twenty four hours from the occurrence of event or information except for Item 4 which shall be disclosed within thirty minutes of the conclusion of the Board Meeting. In case the disclosure is made after twenty four hours of occurrence of the event or information, the rationale for the delay will be provided along with such disclosures.

1. Acquisition(s) (including agreement to acquire), scheme of arrangement (amalgamation/ merger/ demerger/restructuring), or sale or disposal of any unit(s), division(s) or Subsidiary of the Company or any other restructuring;
2. Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.;
3. Revision in rating(s);
4. Outcome of meetings of the Board of the Company held to consider the following:
 - a. dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;
 - b. any cancellation of dividend with reasons thereof;
 - c. the decision on buyback of securities;
 - d. the decision with respect to fund raising proposed to be undertaken

- e. increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched;
 - f. reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
 - g. short particulars of any other alterations of capital, including calls;
 - h. financial results;
 - i. decision on voluntary de-listing by the Company from Stock Exchange(s).
5. Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the Company), agreement(s)/treaty (ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof;
 6. Fraud/defaults by Promoter or KMP or by the Company or arrest of KMP or Promoter;
 7. Change in directors, KMP and auditor;
 8. Appointment or discontinuation of share transfer agent;
 9. Corporate debt restructuring;
 10. One time settlement with a Company;
 11. Reference to the Board of Industrial and Financial Reconstruction and winding-up petition filed by any party / creditors;
 12. Issuance of notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the Company;
 13. Proceedings of annual and extraordinary general meetings of the Company;
 14. Amendments to memorandum and articles of association of Company, in brief;
 15. Schedule of analyst or institutional investor meet and presentations on financial results made by the Company to analysts or institutional investors.

5.2 Events which may be disclosed to the Stock Exchanges based on the test of materiality

The events as mentioned below will be disclosed based on the application of the test of materiality and key principles for determination of materiality as outlined hereunder:

- 1 The omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
- 2 The omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date; or
- 3 In case where the criteria specified in sub-clauses (1) and (2) are not applicable, an event/information may be treated as being material if in the opinion of the Board, the event / information is considered material.

The KMP authorised under this Policy will determine on the disclosure of events or information to the Stock Exchanges based on the application of the test of materiality as mentioned above. In addition to this, the KMP while determining the materiality will do so on a case-to-case basis depending on specific facts/circumstances relating to the information/event and apply such other qualitative/quantitative criteria if required and as may be deemed appropriate to the event.

Description of events:

- 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 Company 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 Company;
 - 8 Litigation(s) / dispute(s) / regulatory action(s) with impact;
 - 9 Fraud/defaults etc. by directors (other than KMP) or employees of the Company;
 - 10 Options to purchase securities including any ESOP/ESPS scheme;
 - 11 Giving of guarantees or indemnity or becoming a surety for any third party;
 - 12 Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.
- 5.3 The Company will disclose all events or information with respect to subsidiaries, which are material from the perspective of the Company.
- 5.4 Any other event/information that is likely to affect business Such events may include but not be limited to the following:

Events/information that may include but are not restricted to-

- a. Emergence of new technologies;
- b. Expiry of patents;
- c. Any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof;
- d. Any other information which is exclusively known to the Company which may be necessary to enable the holders of securities of the Company to appraise its position and to avoid the establishment of a false market in such securities;
- e. Any Market Sensitive Information as may be determined the Committee/ Board from time to time;
- f. Any event, which, in the view of the Board, is material.

6. Guidance on when an event/information is deemed to be occurred

- a. The events/information shall be said to have occurred upon approval of Board of the Company in certain events, for example further issue of capital by rights issuance and in certain events/information after receipt of approval of both i.e. Board of the Company and Shareholders of the Company.
- b. Certain events which are price sensitive in nature like declaration of dividends etc. will be deemed to have occurred and disclosed on approval of the Board of the Company pending Shareholder's approval.

- c. Events such as natural calamities or disruption can be said to have occurred when the Company becomes aware of the event/information.

7. Disclosures on the Website

The Company shall disclose on its website all such events or information which has been disseminated to the Stock Exchanges under this Policy and such disclosures shall be hosted on the website of the Company for a minimum period of five years and thereafter as per the archival process followed by the Company.

The CFO shall observe the following for proper and timely disclosure of any material events/ information as defined hereon:

- 7.1. For determining materiality of any event/transaction, reference is to be made to this Policy and the Regulations.
- 7.2. Disclosure of the events enumerated in Clause 3(A)(4) above shall be made within 30 minutes of the conclusion of the Board meeting at which such events were discussed along with the time of commencement and conclusion of the meeting.
- 7.3. All other events required to be disclosed under the Policy, other than those mentioned in the foregoing clause shall be disclosed by the Company as soon as reasonably possible but not later than 24 hours from the occurrence of a particular event. In the event of any delay in making the disclosure after 24 hours, the Company shall, along with such disclosure, provide an explanation for the delay.
- 7.4. In case of events/information such as natural calamities, disruption, etc., they shall be disclosed when the Company becomes aware of such events/information.
- 7.5. The estimated details with regard to any fraud/ default by any director, Promoter or KMP or by the Company or arrest of any Promoter or KMP shall be disclosed at the time of unearthing of the fraud or occurrence of default/ arrest. A subsequent disclosure shall be made with respect to further details of the fraud/default/arrest such as actual amount involved (if any), actual impact on the Company and its financials and corrective measures taken by the Company.
- 7.6. The Stock Exchange(s) shall also be regularly intimated of details of any change/ updates in the disclosure including status and/ or any material development thereon till such time as the event is resolved/ closed, with relevant explanations.
- 7.7. All the disclosures made to the Stock Exchange(s) 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.
- 7.8. The Company shall also disclose all the events or information with respect to its Subsidiaries, which are material for the Company.

- 7.9. The Company shall provide specific and adequate reply to all queries raised by any Stock Exchange with respect to any events or information. The Company may on its own initiative also confirm or deny any reported event or information to Stock Exchange(s).

8. Amendments to the Policy

The KMP authorised under this Policy will review the Policy from the perspective of the Listing Regulations and determine the events/information for disclosure as may be amended by SEBI from time to time. All such amendments will be informed to the Board and the approval of the Board will be sought to align the policy in line with the SEBI Listing Regulations.