

STEL Holdings Limited

POLICY ON MATERIAL SUBSIDIARY

1. INTRODUCTION

The following are the policy and procedures with regard to determination of Material Subsidiaries of STEL Holdings Limited ('the Company'). The Audit Committee of the Company's Board of Directors may review and amend this policy from time to time.

This Policy is in terms of Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

2. POLICY OBJECTIVE

This policy is framed based on Listing Agreement entered into by the Company with the Stock Exchanges and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

3. DEFINITIONS

- **"Audit Committee or Committee"** means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of the Listing Agreement with the Stock Exchanges and the Companies Act, 2013.
- **"Board of Directors" or "Board"** means the collective body of the Board of Directors of the Company, as constituted from time to time.
- **"Company"** means STEL Holdings Limited, a company incorporated under the Companies Act, 1956 of India.
- **"Independent Director"** means a director of the Company, who satisfies the criteria for independence stipulated under the Companies Act, 2013 and the Listing Agreement entered into with the Stock Exchanges.
- **"Policy"** means the Policy on Material Subsidiary.
- **"Material Non Listed Indian Subsidiary"** shall mean a Material non-listed Indian Subsidiary which is incorporated in India and is not listed on any Indian Stock Exchanges, 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 Company and its subsidiaries in the immediately preceding accounting year.

- **“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.
- **“Subsidiary”** shall be as defined under the Companies Act, 2013 and the Rules made thereunder.

4. POLICY

- a. A subsidiary shall be considered a Material Subsidiary, if such subsidiary’s income or net worth exceeds 20% of its consolidated income or net worth of the Company and its subsidiaries as per the audited balance sheet of the previous financial year.
- b. At least one Independent Director on the Board of Directors of the Company shall be a director on the Board of Directors of a Material Non-Listed Indian Subsidiary Company, if there is any such subsidiary.
- c. The Audit Committee shall review the financial statements, in particular, the investments made by the material unlisted subsidiary Company on an annual basis.
- d. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board meetings of the Company on a quarterly basis.
- e. A statement of all Significant Transactions and Arrangements entered into by the material unlisted subsidiary shall be brought to the attention of the Board on an annual basis.
- f. The management shall present to the Audit Committee annually a list of all subsidiaries together with the details of Material Subsidiary, if any, as defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of at least one Independent Director on the Board of any Material Non-Listed Indian Subsidiary.

5. DISCLOSURE

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

February 12, 2015

CHAIRMAN
Board of Directors