POLICY ON MATERIAL SUBSIDIARIES

Clause 49 of the Listing Agreement with Stock Exchanges makes it mandatory for Every Listed Company to formulate a Policy for determining "material" subsidiaries.

Mukta Arts Limited has many Indian subsidiaries and therefore this policy is formulated relating to material subsidiaries.

A. MATERIAL SUBSIDIARIES:

1. A subsidiaries shall be a "Material" subsidiary, if:

   a) Investment of the Company in the subsidiary exceeds 20% of its consolidated net worth, as per the audited balance sheet of the previous financial year; or

   b) Subsidiary has generated 20% of the consolidated income of the Company during the previous financial year.

   c) A "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.

2. One independent director of the Company shall be a director on the Board of the material non-listed Indian subsidiary company.

3. The management shall present to the Audit Committee on an annual basis, a list of such subsidiaries together with the details of the materiality defined herein. The Committee shall review the same and make suitable recommendations to the Board, including but not limited to, recommendation for appointment of Independent Director on the Board of Material Non-Listed Indian Subsidiary Company.

4. The Company, without the prior approval of the members by Special Resolution in its General Meeting, shall not:

   a) Dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or

   b) Cease the exercise of control over the Material Subsidiary: or

   c) Sell, dispose or lease of assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year.

5. Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year 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.

B. OTHER SUBSIDIARIES

6. The Audit Committee of the listed holding company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company on an annual basis.

7. 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:** For the purpose of above clause 7, 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.

The Policy for determining Material Subsidiaries shall be disclosed on the website of the Company and web link thereto shall be provided in the Annual Report of the Company.