

## **POLICY FOR MATERIAL SUBSIDIARIES**

### **Introduction:**

The Board of Directors (the “Board”) of Parag Milk Foods Limited (the “Company”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries, as defined in this Policy below.

### **Objective:**

The objective of the Policy is to determine material subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

The Policy is framed in accordance with the requirements of the Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

### **Effective date:**

This policy was approved by the Board of Directors at its meeting held on January 14, 2016 and the same was applicable to the Company from the date of its listing with BSE Ltd. (BSE) and National Stock Exchange of India (NSE) i.e. with effect from May 16, 2016

This policy was subsequently revised by the Board of Directors at its meeting held on February 02, 2019 and the same shall be effective with effect from April 01, 2019.

BSE and NSE are hereinafter together referred to as “the stock exchanges”.

### **Identification of ‘Material’ Subsidiary:**

A Subsidiary shall be considered as material whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

“Subsidiary Company” or “Subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company –

- (i) controls the composition of the Board of Directors;
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:
- (i) and such other provisions as per section 2(87) of the Act.

**Governance and Framework:**

- The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
- The minutes of the meetings of the board of directors of the unlisted Subsidiary Company shall be placed at the meeting of the board of directors of the Company.
- At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16, the term “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.

- The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangement entered into by the unlisted subsidiary company.

For the purpose of this regulation, the term “significant transaction or arrangement shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expense or total assets or total liabilities, as the case may be , of the unlisted subsidiary for the immediately preceding accounting year.

- The listed entity shall not dispose of shares of its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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 or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved
- 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 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 or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved

### **Audit Committee**

The Committee shall also review utilization of loans and/or advances from/investment by the holding company in the subsidiary exceeding Rs.100 Crores or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances/investments existing as on the date of coming into force of this provision.

### **Secretarial Audit.**

Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019.

### **Placement of this Policy on Website**

Pursuant to the SEBI (LODR) Regulations, 2015, this 'Policy' shall be posted on the website of the Company.

### **Policy Review and Amendment:**

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material Subsidiary Companies.

### **Scope and Limitation**

In the event of any conflict between the provisions of this Policy and the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.