



*Aarti Drugs Limited*

**POLICY FOR DETERMINING  
MATERIAL SUBSIDIARIES**

Compliance Department



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Review periodicity: need basis/ as required by Regulations

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## 1. PURPOSE AND SCOPE

Aarti Drugs Limited (“**ADL**” or “**Company**”) is governed amongst others by the rules and regulations framed by Securities Exchange Board of India (“**SEBI**”). SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**” or “**Regulations**”) lays out regulatory requirement for determination of material subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 (“**Act**”) and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

## 2. OBJECTIVE OF POLICY

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(1)(c) of the Listing Regulations.

## 3. DEFINITIONS

“**Audit Committee**” means the committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of the Listing Regulations.

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

“**Company**” means Aarti Drugs Limited.

“**Independent Director**” means a Non-Executive Director, other than a nominee director of the listed entity, and who satisfies other criteria for independence under Section 149(6) of the Act and Regulation 16(b) of the Listing Regulations.

“**Policy**” means this Policy, as amended from time to time.

“**Subsidiary**” shall mean a subsidiary as defined under sub-section (87) of Section 2 of the Companies Act, 2013 and Rules made thereunder.



Unless the context requires otherwise, words and expressions not defined herein shall have the meaning ascribed to them under the Listing Regulations, the SEBI Act, 1992, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, the Securities Contracts (Regulation) Act, 1956, the Companies Act, 2013, or any other cognate statute.

#### **4. IDENTIFICATION OF MATERIAL SUBSIDIARY**

Subsidiary shall be considered material, if its turnover or net worth exceeds 10 (ten) percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

#### **5. GOVERNANCE FRAMEWORK**

5.1 At least one Independent Director of the Company shall be a Director on the board of the unlisted material subsidiary whether incorporated in India or not.

For the purpose of said appointment the term “material subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds 20 (twenty) percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

5.2 The Company shall obtain prior approval of shareholders by way of Special Resolution, if the disposal of shares in its material subsidiary (either on its own or together with other subsidiaries), results in reduction of its shareholding, to less than or equal to 50% or the Company cease the exercise of control over the subsidiary.

Such approval shall not be required if divestment is:

- under a scheme of arrangement duly approved by 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.

5.3 The Company shall obtain prior approval of shareholders by way of special resolution, if any sale, disposal and leasing of assets amounting to more than 20 (twenty) percent of the assets of the material subsidiary on an aggregate basis during a financial year;

Such approval shall not be required if such sale, disposal and leasing of assets is;

- under a scheme of arrangement duly approved by 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.



The above clause shall not be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company.

5.4 Every material unlisted Indian subsidiary incorporated in India shall undertake Secretarial Audit and the Secretarial Audit Report shall be annexed with the Annual Report of the Company.

## **6. REVIEW**

This Policy shall be reviewed and amended as and when required by the Board.

## **7. AMENDMENTS**

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.

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.

## **8. IMPLEMENTATION**

The Policy will be effective from the date of Approval by the Board of Directors unless specified otherwise.

## **9. DISSEMINATION OF POLICY**

This Policy shall be hosted on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

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