

JHS Svendgaard Laboratories Limited

Policy on `Material` Subsidiary

(Adopted by the Board of Directors on 12th February 2019)

1. INTRODUCTION

The Board of Directors (the “Board”) of JHS Svendgaard Laboratories Limited (the “Company”), a listed Holding company of various subsidiary companies, being unlisted bodies corporate in India, has adopted this policy for determining a `Material` subsidiary.

This policy is primarily framed based on Regulation 16 and 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, hereinafter referred to as `Regulations`.

The policy primarily intends to ensure compliance with the applicable Regulations.

2. DEFINITIONS

“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.

“Board of Directors” or **“Board”** means the Board of Directors, represented by Directors of JHS Svendgaard Laboratories Limited, as may be appointed from time to time.

“Holding company” in relation to one or more other companies, means a company of which such companies are subsidiary companies.

“Income” or **“income”** shall mean `Total Revenue` of `Total Income` (including other income) as per the audited Financial Statements of the immediately preceding financial year.

“Independent Director” means an independent director referred to in

- section 149(6) of the Companies Act, 2013, and / or
- Regulation 16(b) of the Regulations.

“Listed Entity” means an entity which has listed, on a recognized stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognized stock exchange(s);

“Material subsidiary” a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

“Net worth” or **“net worth”** means net worth as defined in sub section (57) of section 2 of the Companies Act, 2013, which is as under:

Section 2(57) “net worth” means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

“Subsidiary Company” or **“Subsidiary”** means *subsidiary company as defined in section 2 (87) of the Companies Act, 2013, which is as under:*

Section 2 (87) of the Act - Subsidiary Company or Subsidiary in relation to any other (that is to say the holding Company), means a company in which the holding company –

- (i) controls the composition of the Board of Directors; or
- ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause,—

(a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

(b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(c) the expression “company” includes any body corporate;

(d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

3. POLICY

3.1 Identification of material subsidiary

A material subsidiary company shall be identified on the following basis:

-Material Subsidiary` shall mean a subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity (i.e. JHS Svendgaard Laboratories Limited) and its subsidiaries in the immediately preceding accounting year.

3.2 Compliances under the regulations

compliances with respect to all subsidiary companies

- a) The Audit Committee of the listed entity (i.e. JHS Svendgaard Laboratories Limited) shall review the financial statements, in particular, the investments made by the unlisted subsidiary.
- b) The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the listed entity (i.e. JHS Svendgaard Laboratories Limited).
- c) The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the listed entity (i.e. JHS Svendgaard Laboratories Limited), a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

Explanation: 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 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.

Additional compliances with respect to all unlisted material subsidiary companies incorporated in India

- d) At least one independent director on the Board of Directors of the listed entity (i.e. JHS Svendgaard Laboratories Limited) shall be a director on the Board of Directors of an unlisted material subsidiary, incorporated in India.

- e) The listed entity (i.e. JHS Svendgaard Laboratories Limited) shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than 50% 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.

- f) 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 (of the listed entity i.e. JHS Svendgaard Laboratories Limited) by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court /Tribunal.

Others

4. DISCLOSURES

This Policy shall be disclosed on the Company`s website and a web link thereto shall be disclosed in the section on Corporate Governance Report of the Annual Report of the Company.

5. AMENDMENTS TO THE POLICY

The Board of Directors on its own can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.