

DISHMAN PHARMACEUTICALS AND CHEMICALS LIMITED

(CIN: L24230GJ1983PLC006329)

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

BACKGROUND & APPLICABILITY

This Policy is formed as a part of Corporate Governance Framework as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock exchanges in India.

SEBI has vide its circular dated 17th April, 2014 and 15th September 2014 amended the Clause 49 of the Listing Agreement, effective from 1st October, 2014. As per the revised Clause 49, the Company is required to frame a policy for determining 'material' subsidiaries. Additionally, it also provides for certain criteria and compliances with respect to such subsidiaries.

PURPOSE

- To seek necessary approvals of the Board/Shareholders as may be necessary, after providing necessary information to them in the prescribed manner.
- To outline the procedures for identification, review, approval, disclosure and reporting of such transactions.
- Requirement of Independent Director in certain Material non listed Indian Subsidiaries
- Restriction on disposal of shares of Material subsidiary by the Company
- Restriction on transfer of assets of Material subsidiary and
- Disclosure requirements based on revised clause 49 of the listing agreement and any other laws and regulations as may be applicable to the Company.

OBJECTIVE

"Dishman Pharmaceuticals and Chemicals Limited" ("the Company") has adopted this Policy on Material Subsidiaries (the "Policy") to set forth the procedure for determination of the Material Subsidiaries, Material Non-listed Subsidiaries and to provide governance framework for such subsidiaries.

The Policy shall be effective from 1st October, 2014.

DEFINITIONS & INTERPRETATIONS

In this Policy, unless the context otherwise requires:

- (a) **“Act”** means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.
- (b) **“Board”** shall mean the Board of Directors of “Dishman Pharmaceuticals and Chemicals Ltd.”
- (c) **“Company”** means “Dishman Pharmaceuticals and Chemicals Ltd.”
- (d) **“Holding Company”** means Holding Company as defined under Section 2(46) of the Act.
- (e) **“Control”** for this purpose has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (f) **“Independent Director”** shall mean a director of the Company who satisfies the criteria laid down under the Companies Act, 2013 read with clause of Listing Agreement entered by the Company with stock exchanges and as amended from time to time.
- (g) **“Net worth”** shall mean an aggregate of “paid up capital” and “free reserve” of the Company.
- (h) **“Significant transaction or arrangement”** shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of any of the following:
 - (i) total revenues; or
 - (ii) total expenses; or
 - (iii) total assets; or
 - (iv) total liabilities,as the case may be, of the Material Unlisted Subsidiary for the immediately preceding accounting year.
- (i) **“Subsidiary Company / Subsidiary”** means Subsidiary company/subsidiary as defined under section 2(87) of the Act and the rules made thereunder.
- (j) **“Policy”** means this policy on Material subsidiaries and as may be amended from time to time.

Any word used in this policy but not defined herein shall have the same meaning ascribed to it in the Act, SEBI Act or Rules and Regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company. In case of any dispute or differences between this Policy and provisions of Act / Listing Agreement, the later shall apply.

DETERMINATION CRITERIA

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| Subsidiary | A Company shall be considered as Subsidiary if it falls within the criteria defined under Section 2(87) of the Act. |
| Material Subsidiary | A subsidiary shall be considered as “material” subsidiary under the following conditions: (i) if the investment of the Company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year; or (ii) if the subsidiary has generated twenty percent of the consolidated income of the company during the previous financial year. |
| Material Unlisted Indian Subsidiaries | A subsidiary shall be considered as “material unlisted Indian subsidiary” if it is an unlisted subsidiary, incorporated in India, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year. |

The Company shall, at the end of every quarter, determine whether each of its subsidiary falls under the criteria for Material Subsidiary and Material Unlisted Subsidiaries defined above. In case any of the subsidiaries falls under such criteria, the same is to be reported to the Board for its noting at the first instance.

COMPLIANCES WITH RESPECT TO MATERIAL SUBSIDIARIES

1. Restriction on Disposal of Shares of a Material Subsidiary

The Company shall not dispose of shares in its Material Subsidiary which would reduce 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.

2. Restriction on Transfer of Assets of a Material Subsidiary

The Company shall not Sell, dispose and lease assets amounting to more than twenty percent (20%) of the assets of the material subsidiary on an aggregate basis during a financial year without obtaining 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.

COMPLIANCES WITH RESPECT TO MATERIAL UNLISTED INDIAN SUBSIDIARIES

1. Independent Director on the Board of Material Non listed Indian Subsidiary

At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of a Material Unlisted Indian subsidiary company.

The Company may also appoint Independent Director(s) on the Board of an overseas subsidiary company, as they may deem necessary

2. Significant Transaction and Arrangement of a Non listed material subsidiary

The management of the Company shall, every quarter, bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements, if any entered into by any Unlisted Material Subsidiary company.

COMPLIANCES BY LISTED SUBSIDIARIES

Where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

SCOPE LIMITATION

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

DISSEMINATION/DISCLOSURE OF POLICY

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company www.dishmangroup.com and web link thereto shall be provided in the annual report of the Company.

REVIEW AND AMENDMENT

- (a) The Board of Directors shall have the powers to review or amend any of the provisions of this Policy, substitute any of the provisions with new provisions or replace this Policy entirely with a new Policy.
- (b) The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.