



## POLICY FOR DETERMINATION OF 'MATERIAL' SUBSIDIARIES

### I. Introduction:

1. This Policy intends to formulate methods to determine the material subsidiaries of the Company. This Policy also stipulates the governance procedures with regard to material subsidiaries so determined.
2. The Board of Directors ("Board") of Prabhat Dairy Limited ("the Company") has adopted the following policy and procedures with regard to determination of Material Subsidiaries, as defined in this Policy.

### II. Policy Requirement:

1. All listed companies are required by Securities and Exchange Board of India (SEBI) through the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (including any statutory enactments or modifications thereof from time to time) to formulate a policy for determining "**Material Subsidiaries**"). The Company being a listed Company is required to adhere to this requirement.
2. Thus Policy is also intended to ensure governance of such material subsidiary companies.

### III. Effective Date:

This Policy is applicable to the Company from the date of its listing on BSE Ltd. ('BSE') and National Stock Exchange of India Ltd. ('NSE') i.e. with effect from September 21, 2015.

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

### IV. Definitions:

**"Audit Committee or Committee"** means the audit committee constituted by the Board of Directors of the Company in accordance with section 177 of the Companies Act, 2013 read with the rules thereon and read with the provisions of the Listing Agreement with BSE and NSE.

**"Board of Director" or "Board"** means the Board of Directors of Prabhat Dairy Limited, as constituted from time to time.

**"Company"** means Prabhat Dairy Limited.



**“Independent Director”** means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.

**“Policy”** means Policy on determining ‘Material’ Subsidiaries.

**“Material non-listed Indian subsidiary”** means 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 Company Dairy Limited and its subsidiaries in the immediately preceding accounting year.

**“Material subsidiary”** means a subsidiary, 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 Company and its subsidiaries in the immediately preceding accounting year and includes a subsidiary incorporated outside India.

**“Significant Transaction or Arrangement”** means 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.

**“Subsidiary”** means a Company as defined under Section 2(87) of the Companies Act, 2013.

**“Consolidated Income or Networth”** means the total income or networth of the Company and its subsidiaries.

Words and expressions used in this Policy shall have the same meanings respectively assigned to them in the following acts / listing agreement:

1. The Companies Act, 2013 and the Rules framed thereunder; and
2. Listing Agreement with the stock exchanges.

**V. Governance of Material Subsidiaries:**

1. At least one independent director on the Board of Directors of the Company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company.



2. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
3. 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.
4. The management of the unlisted subsidiary company shall periodically (i.e. quarterly) bring to the notice of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.
5. The management shall present to the Audit Committee annually in the month of May or June the list of material subsidiaries together with the details of the materiality defined herein for its review. The Audit Committee of the Company shall review the same and make appropriate recommendation to the Board including recommendation for appointment of Independent Director in the Material Subsidiary.
6. On the recommendation of the Nomination and Remuneration Committee of the Company, the Board may appoint such number of Independent Directors on the Board of the subsidiary company as it may deem fit.

#### **VI. Disinvestment in Material Subsidiaries:**

The Company, without the prior approval of the Members by way of Special Resolution passed in a General Meeting (except in such cases where such disinvestment / sale / disposal / lease is made under a scheme of arrangement duly approved by a Court / Tribunal) shall not:

1. Dispose of shares in Material Subsidiary which would reduce the Company's shareholding (either on its own or together with other subsidiaries) to less than 50%; or
2. Ceases the exercise of control over the Subsidiary; or
3. Sell, dispose off or lease the assets amounting to more than 20% of the assets of the material subsidiary on aggregate basis during a financial year.

#### **VII. Disclosure :**



This Policy for determining Material Subsidiaries shall be disclosed on the website of the Company i.e. [www.prabhatfresh.com](http://www.prabhatfresh.com) and a web link thereto shall be provided in the Annual Report of the Company.

**VIII. Amendment:**

The Board of Directors on its own and / or as per the recommendations of the Audit Committee 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, not being 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.

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