

FREDUN PHARMACEUTICALS LIMITED

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POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. INTRODUCTION:

The Policy for determining 'material' subsidiary companies has been framed in accordance with the provisions of Regulation 16(1) (c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

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 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

2. OBJECTIVE:

The objective of this Policy is to determine the criteria for identifying material subsidiaries of the Company and to provide a governance framework for such subsidiaries in compliance with applicable laws and regulations, including the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR").

3. DEFINITIONS:

- (a) "**Act**" means the Companies Act, 2013 and rules made thereunder.
- (b) "**Audit Committee or Committee**" means the Committee of Board constituted by the Board of Directors of the Company under the provisions of SEBI Listing Regulations and Act from time to time.
- (c) "**Board of Directors**" or "Board" means the Board of Directors of the Company.
- (d) "**Company**" means Fredun Pharmaceuticals Limited.
- (e) "**Control**" shall have the same meaning as assigned to the term in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (f) "**Independent Director**" means a director as defined under SEBI LODR and the Act.
- (g) "**Material Subsidiary(ies)**" shall mean a subsidiary whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- (h) "**Policy**" means this Policy on material subsidiaries.

(i) “**Net Worth**” means net worth as defined in section 2(57) of the Companies Act, 2013.

(j) “**SEBI Listing Regulations**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereof.

(k) “**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 expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

(l) “**Subsidiary Company(ies)**” or “**Subsidiary(ies)**” shall be as defined under section 2(87) of the Companies Act, 2013 and the Rules made thereunder.

4. POLICY FRAMEWORK:

4.1 Identification of Material Subsidiaries

A subsidiary shall be considered material if:

- Its income exceeds 10% of the consolidated income of the Company and its subsidiaries; or
- Its net worth exceeds 10% of the consolidated net worth of the Company and its subsidiaries,

as per the audited financial statements of the preceding financial year.

4.2 Governance Requirements for Material Subsidiaries

- At least **one Independent Director** of the Company shall be a director on the Board of an unlisted material subsidiary (whether incorporated in India or not).
- The Audit Committee of the Company shall:
 - Review the financial statements of material subsidiaries.
 - Review significant transactions and arrangements entered into by such subsidiaries.

4.3 Restrictions on Disposal of Shares

The Company shall not:

- Dispose of shares in its material subsidiary resulting in:
 - Reduction of shareholding below 50%; or
 - Loss 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 approved by a Court/Tribunal.

4.4 Restrictions on Disposal of Assets

Selling, disposing, or leasing of assets amounting to more than **20% of the assets** of the material subsidiary during a financial year shall require prior approval of shareholders by way of a **special resolution**, unless such sale/disposal is made under a scheme approved by a Court/Tribunal.

5. REVIEW OF POLICY:

The Board of Directors shall have power to review and amend the Policy from time to time. If there be any inconsistency between the terms of the Policy and the SEBI Listing Regulations, the provisions of the SEBI Listing Regulations shall prevail. Any amendments to the SEBI Listing Regulations shall mutatis mutandis be deemed to have been incorporated in this Policy.

6. DISCLOSURE:

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

7. AMENDMENTS:

Any amendment to this Policy shall be approved by the Board of Directors of the Company and shall be in accordance with applicable laws.