

POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES

I. BACKGROUND

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.

II. OBJECTIVE

Torrent Pharmaceuticals 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.¹

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

III. 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) "Audit Committee" shall mean the Audit Committee of the Board of Directors of Torrent Pharmaceuticals Limited by whatever name called framed under the provisions of Act and Listing Agreement.
- (c) "Board" shall mean the Board of Directors of Torrent Pharmaceuticals Limited.
- (d) "Independent Director" shall mean a director of the Company who satisfies the criteria laid down under Section 149 of the Companies Act, 2013
- (e) "Net worth" shall mean an aggregate of "paid up capital" and "free reserve" of the Company.
- (f) "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

¹ The Policy has been prepared in accordance with the applicable provisions of Companies Act, 2013 and rules made thereunder and Listing Agreement. Any subsequent amendment/modification in this regards shall automatically apply to this Policy. Further, the compliances mentioned under this Policy shall be in addition to the regular compliances applicable for other subsidiaries / unlisted subsidiaries of the Company.

- (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.

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.

IV. DETERMINATION CRITERIA

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: <ul style="list-style-type: none"> (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 per cent 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 Subsidiary falls under such criteria, the same is to be reported to the Board for its noting at the first instance.

V. COMPLIANCES WITH RESPECT TO SUBSIDIARIES

1. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the Subsidiary company.
2. The minutes of the Board meetings of the all the Subsidiary companies shall be placed at the Board meeting of Company.

VI. COMPLIANCES WITH RESPECT TO MATERIAL SUBSIDIARIES

1. 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.
“Control” for this purpose has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
2. The Company shall not Sell, dispose and lease assets amounting to more than twenty percent 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.

VII. COMPLIANCES WITH RESPECT TO MATERIAL UNLISTED INDIAN SUBSIDIARIES

1. 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.
2. 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 the Subsidiary company.

VIII. COMPLIANCES BY STEP DOWN SUBSIDIARIES

1. 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.

IX. DISCLOSURES AND AMENDMENT

- (a) The Compliance with the requirements of this policy is to be mentioned in the quarterly compliance report submitted to the stock exchanges.
- (b) The policy shall be disclosed on the website of the Company www.torrentpharma.com and a web link thereto shall be provided in the Annual Report of the Company.
- (c) The Board of Directors or Committee so authorised for the purpose shall have the powers to review or amend any of the provisions of this Policy, substitute any of the provisions with a new provisions or replace this Policy entirely with a new Policy.
- (d) 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.