



LAXMI ORGANIC INDUSTRIES LTD

**POLICY
FOR
DETERMINING MATERIAL SUBSIDIARIES**

A. OBJECTIVE

- I. The objective of this Policy is to lay down criteria for identification of material subsidiaries of Laxmi Organic Industries Limited ("Laxmi" or "the Company") and formulate a governance framework for dealing with such material subsidiaries.
- II. This Policy is made in terms of the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") to determine material subsidiaries of the Company. In the event of any inconsistency between this Policy and the Listing Regulations, the Listing Regulations, as amended from time to time, will prevail over this Policy.

B. DEFINITIONS

I. Subsidiary:

"Subsidiary(s)" shall mean subsidiary of the Company as defined under the Companies Act, 2013 ("2013 Act").

II. Audit Committee:

"Audit Committee" means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of 2013 Act and Regulation 18 of the Listing Regulations.

III. Material Subsidiary:

A Subsidiary shall be considered as material whose income or net worth exceeds ten (10) per cent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

IV. Significant transactions or arrangements:

Significant transactions or arrangements shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten (10) per cent 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.

All capitalised terms used in this Policy but not defined herein shall have the meaning ascribed to such term in 2013 Act and the Rules framed there under or in the Listing Regulations, as amended from time to time.

C. POLICIES AND PROCEDURES

I. All Subsidiaries:

- a. Minutes of the Board meetings of all unlisted Subsidiary shall be placed before the Board of Directors of Laxmi.
- b. A statement of all significant transactions and arrangements entered into by the unlisted Subsidiary shall be brought to the attention of the Board of Directors of Laxmi on a periodic basis;
- c. Audit Committee of Laxmi shall review the financial statements, in particular, the investments made by unlisted Subsidiary on a periodic basis;

II. Material Subsidiaries:

- a. at least one (1) Independent Director on the Board of Laxmi shall be appointed as a Director on the Board of unlisted Material Subsidiary incorporated in India or not. Only for the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16(1)(c) of the Listing Regulations, the term "Material Subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth

respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year;

b. The Company shall not:

- i. Dispose of shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other Subsidiaries) to less than fifty (50) per cent 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 or under a resolution plan duly approved under section 31 of the Insolvency and Bankruptcy Code, 2016 ("**Insolvency Code**") and such an event is disclosed to the recognized stock exchanges within one (1) day of the resolution plan being approved;
- ii. Sell, dispose or lease assets amounting to more than twenty (20) per cent of the assets of the material subsidiary on an aggregate basis during a financial year without 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 or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one (1) day of the resolution plan being approved.

III. The Company shall follow such governance procedures in relation to its Subsidiaries as may be outlined in the Regulation 24 of the Listing Regulations and 2013 Act from time to time.

IV. The Management of the Company shall monitor and ensure that as and when any of the subsidiary is determined as a Material Subsidiary the same shall be intimated to the Audit Committee. The Audit Committee shall review the same and make suitable recommendations to the Board to ensure compliance with the Listing Regulations in this regard.

D. AMENDMENTS

This Policy may be amended by the Board from time to time to be in line with any amendments made to the Listing Regulations, 2013 Act or any other guidelines issued by Securities and Exchange Board of India or other statutory authorities.

E. DISCLOSURE REQUIREMENT:

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

F. EFFECTIVE DATE:

The Policy as approved by the Board shall be effective November 25, 2020.

Approved and Adopted by Board of Directors of Laxmi at their meeting held on November 25, 2020