



JD ORGOCHEM LIMITED

POLICY ON MATERIAL SUBSIDIARY

1. INTRODUCTION

1.1 This policy intends to determine the material subsidiaries of the Company. This policy also stipulates the governance procedures with regard to material subsidiaries so determined.

1.2 The Board of Directors (the "Board") of JD Orgochem Limited (the "Company"), has adopted this policy and procedures with regard to determination of Material Subsidiaries.

1.3 This policy substitutes the current Material Subsidiary Policy of the Company with effect from April 01, 2019. The provisions of the listing agreement are being substituted by the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as amended from time to time.

2. REQUIREMENTS OF THE POLICY

2.1 All listed companies are required by Securities Exchange Board of India (SEBI) through the SEBI Listing Regulations to formulate a policy for determination of "**Material Subsidiaries**". The Company being a listed company is required to adhere to these provisions.

2.2 This policy is intended to identify and ensure governance of such material subsidiary companies.

3. DEFINITION

- **"Audit Committee" or "Committee"** means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of SEBI Listing Regulations and the Companies Act, 2013.
- **"Board of Directors" or "Board"** means the "Board of Directors" of JD Orgochem Limited, as constituted from time to time.
- **"Company"** means JD Orgochem Limited
- **"Consolidated Income or Consolidated Net worth"** means the total income or net worth of the Company and its subsidiaries.
- **"Material subsidiary"** means a subsidiary the income or net worth exceeds 10 per cent of the consolidated income or consolidated net worth in the immediately preceding accounting year.
- **"Significant transactions or arrangements"** mean 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 unlisted subsidiary for the immediately preceding accounting year.
- **"Subsidiary"** means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.
- **"Unlisted Material subsidiary"** means a Material Subsidiary whose securities are not listed on any recognized Stock Exchanges in India.

Words and expressions used in this policy shall have the same meanings respectively assigned to them in the following:

- The Companies Act, 2013 or the rules framed thereon and
- SEBI Listing Regulations;

4. DETERMINING FACTORS OF MATERIALITY

The Company must refer to the above definition of material subsidiary in determining whether a subsidiary is a material subsidiary of the Company or not.

5. FREQUENCY OF MATERIALITY TEST

The materiality test shall be applied every financial year as soon as the audited financial statements of the Company are made available by the Auditor of the Company.

6. REQUIREMENTS IN RELATION TO THE MATERIAL SUBSIDIARY COMPANY

Following requirements must be observed by the Company in relation to a material subsidiary of the Company:

- a) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India or not. Explanation- For the purpose of the above provision, notwithstanding anything to the contrary contained in Regulation 16, 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 audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- c) The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the listed entity.
- d) The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary. Explanation.- For the purpose of this regulation, the term “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.
- e) A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved].
- f) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require 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 day of the resolution plan being approved].
- g) Where a listed entity has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

7. DISCLOSURE

This policy for determining material subsidiaries is to be disclosed on the website of the Company (www.jdorgochem.com) and a weblink thereto will be provided in the Annual report of the Company.

8. AMENDMENT

The Board of Directors may on its own and / or as per the recommendations of Audit Committee review or amend this policy, in whole or part, from time to time as per the requirement of the Regulations.