

POLICY ON MATERIAL SUBSIDIARIES

I. Introduction

The Board of Directors (the “Board”) of Ipca Laboratories Limited (the “Company”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below.

The Board may review and amend this policy from time to time.

This Policy will be applicable to the Company effective 1 October 2014. This Policy is in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

II. Policy Objective

To determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

III. Definitions

“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Agreement with the Stock Exchanges and The Companies Act, 2013.

“Board of Directors” or **“Board”** means the Board of Directors of Ipca Laboratories Limited, as constituted from time to time.

“Company” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“Financial Year” means the period ending on the 31st day of March every year, and where a Company has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up.

“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.

“Material Non Listed Indian Subsidiary” shall mean a Material Subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges, 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 listed holding company and its subsidiaries in the immediately preceding financial year.

“Net Worth” means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

“Policy” means Policy on Material Subsidiary.

“Significant Transaction or Arrangement” shall 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 material unlisted subsidiary for the immediately preceding financial year.

“Subsidiary” shall be as defined under the Companies Act, 2013.

IV. Policy

1. A subsidiary shall be a **Material Subsidiary**, if any of the following conditions are satisfied:
 - a. In which the Investment of Company, exceeds 20% of Company’s consolidated net worth as per the audited balance sheet of the previous financial year; or
 - b. Which have generated twenty per cent of the consolidated income of the Company during the previous financial year.
2. One Independent **Director** of the Company shall be a director on the Board of the Material Non-Listed Indian Subsidiary Company, if any.
3. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on an annual basis.
4. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company on a quarterly basis.
5. The management shall on quarterly basis bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary Company.
6. The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of Independent Director in the material non-listed Indian subsidiary.

V. Disposal of Material Subsidiary

The Company, without the prior approval of the members by Special Resolution, shall not:

- a) dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- b) ceases the exercise of control over the Subsidiary; or

- c) sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary

In cases where such divestment/ sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal, no such special resolution of the shareholders will be required to be passed.

VI. Amendment

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

VII. Disclosures

The Policy for determining material subsidiaries is to be disclosed to the Stock Exchanges and in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at www.ipca.com.