

**KIDS MEDICAL SYSTEMS LIMITED**

**POLICY FOR DETERMINING MATERIAL SUBSIDIARY**

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time (the Regulations) requires the listed entity to formulate a policy for determining 'Material' subsidiary.

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

A. Effective Date of Policy: 22<sup>nd</sup> November, 2017

#### B. Objective of the Policy

The objective of this Policy is to determine the "Material Subsidiaries of the Company" and to provide the governance framework for such subsidiaries.

#### C. Definitions

1. "Material Subsidiary" 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. It shall include both unlisted subsidiary and listed subsidiary.
2. "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.
3. "Unlisted Subsidiary" means subsidiary whose securities are not listed on any recognized Stock Exchanges.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Regulations or any other applicable law or regulations.

#### D. Framework of Policy

1. At least one Independent Director of the Company shall be a Director on the Board of an unlisted material subsidiary, incorporated in India.

For the purpose of appointment of Independent Director in unlisted material subsidiary, notwithstanding anything to the contrary contained in this Policy '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.

2. The Audit Committee shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.
3. 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 Company.
4. The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all significant transactions or arrangements entered into by the unlisted subsidiary.
5. The Company and its material subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its Annual Report, a secretarial audit report, given by a Company Secretary in practice, pursuant to Regulation 24A of the Regulations.

#### E. Restrictions

1. The Company 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 (50) 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.
2. Selling, disposing and leasing of assets amounting to more than twenty (20) 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.

#### F. Limitation of Policy and its Review

In case of any conflict between the provisions of this Policy and the Regulations or the Companies Act, 2013 or any other statutory enactments, the provisions of such Regulations or the Companies Act, 2013 or other statutory enactments, shall prevail over this Policy.

This Policy is formulated taking in view extant provisions of the Regulations. In case of any confusion or doubt with respect to any provision of this Policy or as and when the Board deems necessary to review this Policy or its provisions, the Board will take an appropriate decision. Further, this Policy and its provisions are subject to any modification, revision, replacement, variation, deletion, addition or amendment in accordance with the regulatory amendments and guidelines as may be issued / imposed by SEBI, from time to time.