

MILKFOOD LIMITED

CIN: L15201PB1973PLC003746

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POLICY ON MATERIAL SUBSIDIARIES

1. Introduction

This policy is in terms of revised Clause 49 of the Listing Agreement with the Stock Exchanges which provides that all the listed companies shall formulate a policy for determining “Material Subsidiaries” and Policy will be disclosed in the Annual Report.

This Policy will come into effect from October 1, 2014. The Board of Directors of the Company may review and amend this Policy from time to time.

2. Policy Objective

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

3. Definitions

- (i) “Audit Committee or Committee” means Committee of the Board of Directors of the Company constituted under provisions of Listing Agreement with the Stock Exchanges and the Companies Act, 2013.
- (ii) “Board of Directors” or “Board” means the Board of Directors of Milkfood Limited, as constituted from time to time.
- (iii) “Company” means Milkfood Limited, incorporated under the Companies Act, 1913.
- (iv) “Independent Director” means a director of the Company, who satisfies criteria for independence under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.
- (v) “Policy” means Policy on Material Subsidiary.
- (vi) “Material Non Listed Indian Subsidiary” shall mean an unlisted subsidiary, incorporated in India and is not listed on the Indian Stock Exchanges whose income or net worth (i.e. capital and free reserves) exceeds 20% of the

consolidated income or net worth respectively of the listed holding company & its subsidiaries in the immediately preceding accounting year.

- (vii) “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 accounting year.
- (viii) “Subsidiary” shall be as defined under the Companies Act, 2013 and the Rules made there under.

4. Policy

1. At least one Independent Director of the Company shall be appointed a director on the Board of the Material Non – Listed Indian Subsidiary.
2. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed at the Board meeting of the Company.
3. The management shall on a half yearly 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.
4. In regard to Material Non – Listed Subsidiary company –
 - (i) The Audit Committee should review the financial statements, in particular, the investments made by the Unlisted Subsidiary Company.
 - (ii) 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 Subsidiary.

5. Disposal of Material Subsidiary

The Company, without the prior approval of the Shareholders 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 an accounting year.

6. **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.milkfoodltd.com