

POLICY FOR DETERMINING MATERIAL SUBSIDIARY



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1. BACKGROUND

Under Regulation 16(1)(c) of Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”), the Company is required to formulate a Policy for determining “Material Subsidiaries”. The objective of this Policy is to determine the Material Subsidiaries of the Company in compliance with the aforesaid regulatory requirements.

2. OBJECTIVE

The Policy for determining a ‘material’ subsidiary company has been framed in accordance with the provisions of Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), as may be amended from time to time.

All the words and expressions used in this Policy, unless defined hereinafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 (“Act”) and the Rules, Notifications and Circulars made / issued thereunder, as amended, from time to time.

3. DEFINITIONS

“**Audit Committee**” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under Section 177 of the Companies Act, 2013 or the previous Company Law and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

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

“**Company**” means Krsnaa Diagnostics Limited.

“**Independent Director**” means a director of the Company who satisfies the criteria for Independence as prescribed under Section 149 of the Companies Act, 2013 and the Listing Regulations.

“**Policy**” means Policy on Material Subsidiary.

“**Material Subsidiary**” means a subsidiary, whose turnover or net worth exceeds 10% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding financial year.

“**net worth**” means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.

“**Significant Transaction or Arrangement**” means 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.

“**Subsidiary**” shall mean a subsidiary as defined under the Companies Act, 2013.

Words and expressions used and not defined in this Policy shall have the meaning as described in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act, 2013 and rules and regulations made thereunder.

4. CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY

A subsidiary shall be a Material Subsidiary, if the turnover or net worth of the subsidiary exceeds **Ten percent** of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding financial year.

5. POLICY

- I. At least one Independent Director of the Company shall be a director on the Board of the unlisted material subsidiary. Provided however, in respect of this provision, the unlisted material subsidiary shall mean a subsidiary, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- II. The Audit Committee of the Board of the Company shall review the annual financial statements, in particular, the investments made by the unlisted Subsidiary(ies)
- III. The Minutes of the meetings of the Board of Directors of the unlisted Subsidiary(ies) shall be placed before the Board of the Company.
- IV. The management of the unlisted material subsidiary shall periodically bring to the attention the Board of Directors of the Company, a statement of all Significant Transactions or Arrangements entered into by such unlisted Subsidiary(ies).
- V. The Company without the prior approval of the members by special resolution or a resolution with majority as may be prescribed under Listing Regulations shall not:

- (a) Dispose shares in the Material Subsidiary that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- (b) Cease the exercise of control over the subsidiary; or
- (c) Provided, the Company may 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 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved;
- (d) Sell, dispose of or lease the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year 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 and Bankruptcy Code, 2016 (“**Insolvency Code**”) and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved

6. DISCLOSURE

The Company shall disclose in its Board’s report, details of this Policy as required under the Companies Act, 2013 and the Listing Regulations. This Policy on determining Material Subsidiaries shall be disclosed on the website of the Company (www.krsnaadiagnostics.com) and a web link thereto shall be provided in the Annual Report of the Company.

7. MISCELLANEOUS

The Board of Directors of the Company has adopted the Policy and procedure with regard to determining Material Subsidiaries as required under Listing Regulations.

The Board of Directors of the Company subject to applicable laws is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the board intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

8. AMENDMENTS TO THE POLICY

The Company is dedicated to regularly assess and update its policies and procedures. Consequently, this policy may be amended from time to time subject to Board approval and in compliance with applicable laws and regulations. This policy and any further modifications/ amendments to the same shall be promptly disclosed on the Company’s website and filed in accordance with the applicable laws and regulations.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc., shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the Effective Date as laid down under such amendment(s), clarification(s), circular(s) etc.