



Pharmaceuticals Limited

**Registered & Corporate Office :**

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## SMS PHARMACEUTICALS LIMITED

### POLICY FOR DETERMINING MATERIAL SUBSIDIARY

Adopted by the Board of Directors on 30<sup>th</sup> May, 2025

#### INTRODUCTION:

The Board of Directors ("**Board**") of SMS Pharmaceuticals Limited ("**Company**") has adopted this policy for determining material subsidiaries of the Company ("**Policy**") in accordance with the provisions of Regulation 16(1)(c) of the Listing Regulations. All the compliance requirements relating to material subsidiaries shall be followed by the Company, as legally required.

This Policy sets out criteria for determination of material subsidiaries

#### DEFINITIONS:

- a) In this policy unless the context otherwise requires:
  - i. "**Act**" means the Companies Act, 2013 and rules issued thereunder;
  - ii. "**Audit Committee**" means the audit committee constituted by the Board of the Company from time to time as required in accordance with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (LODR) Regulations, 2015;
  - iii. "**Board**" means the board of directors of the Company;
  - iv. "**Company**" means SMS Pharmaceuticals Limited;
  - v. "**Control**" shall have the meaning as assigned to it under the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - vi. "**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 Act and the SEBI (LODR) Regulations, 2015;

- vii. **“Significant Transaction or Arrangement”** shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% (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.
  - viii. **“Subsidiary”** means a subsidiary as defined under Section 2(87) of the Act;
  - ix. **“Unlisted Subsidiary”** means a subsidiary of the Company whose shares are not listed on any Stock Exchange.
- b) Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Act and the SEBI (LODR) Regulations, 2015 as may be amended from time to time, shall have the meaning respectively assigned to them herein.

**CRITERIA:**

A subsidiary shall be regarded as “material subsidiary”, whose turnover or net worth exceeds 10% (**ten percent**) of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**GOVERNANCE REQUIREMENT:**

- 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, whether incorporated in India or not. For the purposes of this para, the term “material subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds 20% (twenty percent) of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- b) The audit committee shall 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.
- d) The management of the unlisted subsidiary shall periodically bring to the notice of the Board, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.
- e) The Company shall disclose all events with respect to its Subsidiaries which are material to the Company



- f) Every material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary and shall annex a Secretarial Audit Report in such form as specified, with the annual report of the Company.

Explanation:

- i. **“Secretarial Auditor”** means a Company Secretary in Practice or a firm of Company Secretary(ies) in practice appointed to conduct the Secretarial Audit.
- ii. **“Peer Reviewed Company Secretary”** means a Company Secretary in practice, who is either practicing individually or as a sole proprietor or as a partner of a Peer Reviewed Practice Unit, holding a valid certificate of peer review issued by the Institute of Company Secretaries of India

#### **DISPOSAL OF MATERIAL SUBSIDIARY**

- a. The Company shall not without prior approval of the shareholders of the Company by way of special resolution passed in the general meeting :
- i. dispose shares held by the Company in its material subsidiary resulting in reduction of the Company’s shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% (fifty percent) or the Company ceasing to exercise control over the subsidiary.
- ii. Sell, dispose and lease of assets amounting to more than 20% (twenty percent) of the assets of the material subsidiary on an aggregate basis during a financial year.

Provided shareholders’ approval by way of a special resolution as aforesaid will not be required if such divestment or sale, disposal or lease of assets:

- a) is under a scheme of arrangement duly approved by a Court/Tribunal, or
- b) is pursuant to 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.
- iii. If such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company, prior approval of the shareholders by way of special resolution is not required.

#### **DISCLOSURES:**

The Company shall disclose in its Board’s report, details of this Policy as required under the Listing Regulations. This Policy shall be disclosed on the Company’s website and a web link thereto shall be provided in the annual report.



**LIMITATION, REVIEW AND AMENDMENT:**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations or any other applicable legal requirement ("**Applicable Law**"), the provisions of Applicable Law shall prevail over this Policy. Any subsequent amendment / modification to the Applicable Law shall automatically apply to this Policy.

The Board may review and amend this Policy from time to time, as may be deemed necessary.

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