Kwality Limited
Policy on Material Subsidiaries

I. Preamble

Kwality Limited ("the Company") is engaged in dairy sector, manufacturing a wide range of milk products i.e. flavoured milk, ghee, butter, paneer, chaach and curd etc. The Company, covers a significant share in the domestic market and also export its products to various foreign countries and made continuous efforts to tap international market.

The Board of Directors ("the Board") of the Company has adopted the following policy and procedures with regard to determination of Material Subsidiaries, as defined below. This policy will be applicable to the Company effective from October 1, 2014.

II. Purpose

This policy is framed as per the requirement of Revised Clause 49 (RC49) of the Listing Agreement entered into by the Company with the Stock Exchanges and intended to determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

III. Definitions

"Act" means Companies Act, 2013 including any statutory modifications or re-enactment thereof.

"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 ("the 2013 Act").

"**Board of Directors or Board**" means the Board of Directors of the Company, as constituted from time to time.

"**Holding Company** as defined under clause 2(46) of the Act"

"**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 an unlisted subsidiary, incorporated in India, 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 accounting year.

"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.

"Subsidiary" shall be as defined under the Companies Act, 2013 ("the Act") and the Rules made thereunder.

IV. Criteria for determining the Material Subsidiaries:

1. A subsidiary shall be a "**Material**" subsidiary, if:

a) Investment of the Company in the subsidiary exceeds 20% of its consolidated net worth, as per the audited balance sheet of the previous financial year; or

b) Subsidiary has generated 20% of the consolidated income of the Company during the previous financial year.

2. The Audit Committee shall review on an annual basis such details/ information as may be required to determine the 'Material Subsidiaries.'

V. Governance of Material subsidiaries:

1. One independent director of the Company shall be a director on the Board of the material non-listed Indian subsidiary company.

2. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the non-listed subsidiary company.

3. The minutes of the Board meetings of the non-listed subsidiary company shall be placed before the Board of the Company periodically

4. The management shall periodically bring to the attention of the Board of the Company, a statement of all 'Significant transactions and arrangements' entered into by the unlisted subsidiary company.

V. Disposal of Material Subsidiary

The Company, without the prior approval of the members by Special Resolution in its General Meeting, shall not:

a) Disposal of shares of Material Subsidiaries, by the Company which would reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or cease the exercise of control over the Material Subsidiary shall require a special resolution in its General Meeting. The approval of shareholder shall not be required in cases where such disinvestment is made under a scheme of arrangement duly approved by a Court/ Tribunal ; or

b) Selling, disposing and leasing of assets amounting to more than 20% 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.

VI. Disclosure

The Policy for determining Material Subsidiaries shall be disclosed on the website of the Company at www.kdil.in and a web link thereto shall be provided in the Annual Report of the Company, as per the provisions of laws in force.

VII. General

The Company Secretary in consultation with the Board of Directors is authorized to amend the Policy to give effect to any changes /amendments notified by Ministry of Corporate Affairs or SEBI w.r.t Material Subsidiaries from time to time. Such amended policy shall be periodically placed before the Board for noting and ratification. Any questions and clarifications relating to this Policy should be addressed to the Company at cs@kdil.in.