



---

# PRECISION ELECTRONICS LIMITED

## Policy For Determining Material Subsidiaries

<u>Approver</u>	<u>Board of Directors</u> Revised Policy approved at the board meeting held on August 6, 2025
-----------------	---

## 1. Introduction

In accordance with Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this Policy outlines the manner in which the Company will identify its “material” subsidiary and also prescribes certain governance requirements which need to be adhered to by the Company with respect to management of its material subsidiary.

## 2. Definitions

- a) In this Policy, unless the context otherwise requires:
- (i) **“Companies 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 and Regulation 18 of the Listing Regulations;
  - (iii) **“Board”** means the board of directors of the Company;
  - (iv) **“Company”** means Precision Electronics Limited;
  - (v) **“Control”** shall have the same meaning as assigned to it under the Securities and 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 Companies Act and the Listing Regulations;
  - (vii) **“Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
  - (viii) **“Significant Transaction or Arrangement”** means 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 an unlisted subsidiary for the immediately preceding accounting year;
  - (ix) **“Subsidiary”** means a subsidiary as defined under Section 2(87) of the Companies Act;
  - (x) **“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 Companies Act and the Listing Regulations, as may be amended from time to time, shall have the meaning respectively assigned to them therein.

## 3. Criteria for Determining Material Subsidiaries

“Material Subsidiary” means, except where otherwise specifically provided, a subsidiary, whose turnover or net worth exceeds 10% (ten percent) of the consolidated

turnover or net worth, respectively, of the Company and its subsidiaries in the immediately preceding financial year.

#### **4. Governance Requirements**

- a) The Company shall appoint at least 1 (one) of its independent directors on the board of directors of its unlisted Material Subsidiary, whether incorporated in India or not. For the purpose of this paragraph, 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 Company and its subsidiaries in the immediately preceding accounting year.
- b) The Audit Committee shall review the financial statements of, and, in particular, investments made by the Unlisted Subsidiary.
- c) The Board shall review the minutes of meetings of the board of directors of the Unlisted Subsidiary, which 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 that are material to the Company.
- f) Every material subsidiary incorporated in India shall undertake a secretarial audit as referred under Section 204 of the Companies Act by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary, and the secretarial audit report shall be annexed 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.

#### **5. Disposal of Material Subsidiary**

- a. The Company shall not, without prior approval of the shareholders of the Company by way of a special resolution passed in a general meeting:
  - (i) dispose of shares held by the Company in its Material Subsidiary, which shall result in a reduction of the Company's shareholding in the Material Subsidiary (either individually or together with its other subsidiary) to less than or equal to 50% (fifty percent) or the Company ceasing to exercise control over the Material Subsidiary; or
  - (ii) sell, dispose of, or lease assets of the Material Subsidiary that amount 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 disinvestment or sale, disposal, or lease of assets:

- (a) is under a scheme of arrangement formulated under the Companies Act and duly approved by the National Company Law Tribunal; or
  - (b) is pursuant to a resolution plan formulated and approved under section 31 of the Insolvency and Bankruptcy Code, 2016, and the approval of the resolution plan is notified to the concerned stock exchange 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 of the Company by way of special resolution is not required.

**6. Disclosure**

This Policy shall be uploaded on the website of the Company, and a web link thereto shall be provided in the annual report of the Company.

**7. Review & Amendment of the Policy**

The Board shall review the Policy from time to time based on the changing needs and make suitable modifications as may be necessary. The Board can also amend the Policy from time to time in accordance with requirements of, and to ensure compliance with, the provisions of the Listing 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.*