



POLICY ON SUBSIDIARIES

1. Introduction

In terms of Clause 49 of the Listing Agreement, the Board of Directors (the “board”) of Precot Meridian Limited (the “company”), has adopted the following policy and procedures with regard to subsidiaries of the company as defined below. The board may review and amend this policy from time to time.

This policy is intended to ensure that the board of directors to have overall supervision on the functioning of subsidiaries of the company and regulate investments.

2. Definitions

“**Board**” means board of directors of the company

“**Committee**” means audit committee of the board as constituted or reconstituted under provisions of Listing agreement and Companies Act, 2013

“**Material Subsidiary**” means a subsidiary in which the investment of the company exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year

“**Material Non-Listed Indian Subsidiary**” means 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 financial year

“**Material Non-Listed Subsidiary**” means a subsidiary whose equity shares are not listed on any recognized stock exchange and in which the investment of the company exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year

“**Non-Listed Subsidiary**” means subsidiary whose equity shares are not listed on any recognized stock exchange

“**Policy**” means policy on subsidiaries



“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(ies)” means subsidiary of the company as defined in the Companies Act, 2013.

3. Policy & Procedure

- a. At least one independent director on the board of the company shall be a director on the board of a material non-listed Indian subsidiary.
- b. The committee shall also review the financial statements of subsidiaries and in particular, the investments made by the non-listed subsidiary of the company.
- c. The minutes of the board meetings of the non-listed Indian subsidiary company shall be placed at the board meeting of the company at regular intervals.
- d. The board shall be provided with all significant transactions and arrangements entered into by the non-listed subsidiary company on quarterly basis.
- e. The company shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its general meeting except in cases where such divestment is made under a scheme of arrangement duly approved by court/ tribunal.
- f. Selling, disposing and leasing of assets amounting to more than twenty percent 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 sale/disposal/lease is made under a scheme of arrangement duly approved by a court/ tribunal.

4. Amendment to the Policy

The board on its own and/or as per the recommendations of the committee can amend this policy, as and when deemed fit.



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.