



POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

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1. INTRODUCTION

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”) the Board of Directors (“Board”) of Paul Merchants Limited (“Company”) has adopted the following policy with respect to the determination of Material Subsidiaries. Any amendment in the said Regulations at any point of time in future shall be deemed to be automatically incorporated herein. This Policy, as amended upto date, has been approved and taken on record by the Board in its meeting held on 20th January, 2025.

2. POLICY OBJECTIVE

The objective of this policy is to lay down criteria for identification and dealing with Material Subsidiaries

3. DEFINITIONS

- i. **“Act”** means Companies Act, 2013.
- ii. **“Audit Committee”** means “Audit Committee” constituted by the Board of Directors of the Company from time to time under the provisions of the Companies Act 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- iii. **“Board of Directors” or “Board”** means the “Board of Directors” of the Company, as constituted from time to time.
- iv. **“Company”** means Paul Merchants Limited.
- v. **“Designated Securities”** means specified securities, non-convertible debt securities, non- convertible redeemable preference shares, perpetual debt instrument, perpetual non- cumulative preference shares, Indian depository receipts, securitised debt instruments, units issued by mutual funds and any other securities as may be specified by the Board
- vi. **“Independent Director”** means a Director of the Company, not being a Managing or Whole-Time Director or a Nominee Director and who is neither a Promoter nor belongs to the Promoter Group of the Company and who satisfies the criteria of independence as prescribed under the provisions of the Companies Act 2013 (including the rules

prescribed thereunder) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

- vii. **"Listed Entity"** means an entity which has listed, on a recognised stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s)
- viii. **"Material Subsidiary"** means a subsidiary whose turnover or net worth exceeds 10% of the consolidated turnover or net worth respectively, of the listed entity & its subsidiaries in the immediately preceding accounting year.

Provided for the purpose of appointment of Independent Director on the Board of Directors of an unlisted material subsidiary, the term "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.
- ix. **"Policy"** means this Policy, as amended from time to time.
- x. **"Subsidiary"** shall mean a subsidiary as defined under the Act and the rules made thereunder.

4. PROVISIONS WITH REGARD TO MATERIAL SUBSIDIARY COMPANIES

- 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;

Explanation:- For the purpose of this clause, notwithstanding anything to the contrary contained in regulation 16, the term "**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.

- b. The Audit Committee shall on an annual basis, as and when basis review the list of all subsidiary companies of the Company for determining/considering their materiality, as defined herein, and make suitable recommendations;
- c. 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 a Court / Tribunal;

- d. The Company shall not sell, dispose and lease of assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year without passing special resolution in its General Meeting unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court / Tribunal. Nothing contained in this sub-regulation shall be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the listed entity

5. REVIEW OF STATUS

The Audit Committee in its first meeting of every financial year shall review the status of its subsidiaries to identify whether any subsidiary is required to be treated as a material subsidiary or any material subsidiary ceases to be as such. The details of such review shall be disclosed to the Board for taking necessary action.

6. REQUIREMENT REGARDING UNLISTED SUBSIDIARY COMPANY

As per the Regulations, following additional provisions are applicable to every Unlisted Subsidiary Company, including even a Material Unlisted Subsidiary:

- i. The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- ii. The minutes of the Board Meetings of the unlisted subsidiary company shall be placed at the Board Meeting of the company.
- iii. The Management shall periodically bring to the attention of the Board of Directors of the company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

Explanation. - For the purpose of this regulation, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed “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.

7. AMENDMENT(S)

The Board may subject to applicable laws, review or amend any provision (s) or substitute any provision(s) with the new provision (s) or replace the entire policy, from time to time, based on the recommendations of the Audit Committee.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material subsidiary companies.

The Policy shall be disclosed on the Company's website and a weblink thereto shall also be

8. DISCLOSURES

provided in the Annual Report of the Company.

In the event of any conflict between the provisions of this Policy and the Act or Regulations or

9. INTERPRETATION

any such other statutory enactments/rules, as applicable shall prevail over the Policy.

Sd/-

Chairman

Paul Merchants Limited

20-01-2025