

The Patna Electric Supply Co. Ltd

33A, Jawaharlal Nehru Road, Chatterjee International, Unit A-9, 8th Floor Russel Street, Kolkata-700071

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Website: www.patnaelectricssupplycompany.com

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

1. PREAMBLE

In accordance with the provisions of Regulation 16(1)(c) and Regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), the Board of Directors of **The Patna Electric Supply Co. Ltd.** (“the Company”) is required to formulate a policy for determining material subsidiaries and to provide a governance framework for such subsidiaries.

This policy aims to establish principles and guidelines to be followed in identifying, monitoring, and overseeing subsidiaries, especially those considered “material,” and to ensure compliance with regulatory and governance requirements.

2. OBJECTIVE

The purpose of this policy is:

- To determine the criteria for classifying a subsidiary of the Company as a “material subsidiary”;
- To lay down the governance framework for such material subsidiaries;
- To comply with the disclosure and governance norms prescribed under SEBI Listing Regulations and applicable laws.

3. DEFINITIONS

a. “**Subsidiary**” shall mean a subsidiary company as defined under Section 2(87) of the Companies Act, 2013.

b. “**Material Subsidiary**” shall mean a subsidiary whose:

- **Income or net worth exceeds 10%** of the consolidated income or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year, as per the audited financial statements.

c. “**Material Unlisted Subsidiary**” shall mean an unlisted subsidiary incorporated in India, whose:

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- **Income or net worth exceeds 20%** of the consolidated income or net worth, respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

d. “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 satisfies other criteria as defined under SEBI (LODR) and Companies Act, 2013.

4. CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY

A subsidiary shall be considered **material** if:

- Its **income or net worth** (whichever is lower), on a standalone basis, exceeds **10%** of the consolidated income or net worth of the Company and its subsidiaries in the immediately preceding accounting year.

5. GOVERNANCE FRAMEWORK

To ensure transparency, oversight, and compliance, the following governance measures shall apply:

5.1 Board Representation

- At least **one Independent Director** of the Company shall be a **director on the Board of Directors** of an unlisted material subsidiary, whether incorporated in India or abroad, as defined under Regulation 24(1) of the SEBI (LODR) Regulations.

5.2 Audit Committee Review

- The **Audit Committee** of the Company may review the **financial statements**, in particular, the **investments made** by the unlisted subsidiaries on a **quarterly basis**.

5.3 Minutes and Updates

- The **minutes of the meetings of the Board of Directors** of the unlisted subsidiaries shall be **placed before the Board** of the Company on a regular basis.
- A **statement of all significant transactions and arrangements** entered into by the unlisted subsidiary shall be brought to the attention of the Board of Directors of the Company.

5.4 Disposal of Material Subsidiary

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- The Company shall **not dispose of shares** in its material subsidiary resulting in **reduction of shareholding below 50%** or **cessation of control** without passing a **special resolution** in its General Meeting except in such cases where such divestment is under a scheme of arrangement duly approved by a court/tribunal.
 - The Company shall **not sell, dispose of, or lease assets** amounting to more than **20% of the assets** of the material subsidiary on an aggregate basis during a financial year without prior approval of shareholders by **special resolution**, unless the transaction is under a court-approved scheme.

6. DISCLOSURE REQUIREMENTS

- The Company shall disclose this policy on its **website** and provide the web link in the **Annual Report**.
- Details of all material subsidiaries shall be disclosed as part of **corporate governance report** annexed to the Annual Report.

7. REVIEW AND AMENDMENTS

- This Policy may be reviewed periodically by the **Board of Directors** or as may be required due to change in applicable laws or regulations.
- Any amendments or changes to this Policy shall be approved by the **Board of Directors** and promptly disclosed to the Stock Exchange(s), if required.

8. INTERPRETATION AND LIMITATION

In case of any conflict between the provisions of this Policy and SEBI Regulations or the Companies Act, 2013, the provisions of the Regulations or the Act shall prevail.

9. EFFECTIVE DATE

This Policy shall come into effect from the date of its approval by the Board of Directors.
