

Policy for Determining “MATERIAL” SUBSIDIARIES

[Adopted by the Board on 30th November 2023]

GALA PRECISION ENGINEERING LIMITED

POLICY FOR DETERMINING “MATERIAL” SUBSIDIARIES



LEGAL FRAMEWORK

Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (“SEBI LODR”) extends certain principles of Corporate Governance to Material Subsidiaries of listed companies.

The Board of Directors (the “**Board**”) of Gala Precision Engineering Limited (the “**Company**”) is obliged to formulate a policy for determining “Material Subsidiaries” to comply with the requirements of Regulation 16(1)(c) of the SEBI LODR for such Material Subsidiaries. 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 in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment (s), clarification (s), circular (s) etc.

OBJECTIVE

Besides determining the Material Subsidiaries and disclosure thereof as required by SEBI LODR and any other Laws and Regulations as may be applicable to the Company, the Policy on Material Subsidiaries (this “**Policy**”) intends to ensure governance of Material Subsidiaries by complying with Directorship requirements, review of financial statements, bringing to the attention of the Board certain transactions or arrangements, rules regarding disinvestment of shares held by the Company and restrictions on selling or disposing or leasing of assets of such Subsidiaries by the Company.

DEFINITIONS

“**Audit Committee**” means the Audit Committee of the Board which as on date complies with the provisions of Section 177 of the Companies Act, 2013 read with applicable Rules and Regulation 18 of the SEBILODR.

“**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 Act and SEBI LODR.

“**Material subsidiary**” means 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.

“**Material Non-listed Subsidiary**” shall mean an unlisted Material Subsidiary, incorporated in India or not, 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 ten percent (10%) 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.

“Unlisted Subsidiary” means subsidiary whose securities are not listed on any recognized Stock Exchanges.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI LODR or any other applicable law or regulations.

POLICY AND REQUIREMENTS

1. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiaries of the Company.
2. The minutes of the Board meetings of the unlisted subsidiaries shall be placed at the Board meeting of the Company at regular intervals.
3. The Board of the Company shall be provided periodically with a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary Company.
4. At least one Independent Director of the Company shall be a director on the board of the Material Non-listed Subsidiary whether incorporated in India or not.
5. The Company shall not dispose 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 disinvestment is made under a scheme of arrangement duly approved by a Court or Tribunal or it has previously been approved by the Board for “Disinvestment” or under a resolution plan duly approved under section 31 of Insolvency Code and such an event is disclosed to the recognized stock exchange within one day of the resolution plan being approved.
6. The Company shall not sell, dispose and 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 the shareholders by way of passing special resolution in its General Meeting,

unless the sale or disposal or lease is made under a scheme of arrangement duly approved by Court or Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such event is disclosed to the recognized stock exchange within one day of the resolution plan being approved.

7. Every Material Subsidiary shall undertake a Secretarial Audit and the secretarial audit report shall be annexed with the Annual Report of the Company.

DISCLOSURES COMPLIANCE

This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

AMENDMENT OR REVIEW

The Board reserves the right to amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary.

SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and the LODR / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such LODR / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.
