PHOTONICS WATERTECH LIMITED

POLICY FOR IDENTIFICATION OF MATERIAL SUBSIDIARY

1. **Introduction**

Regulation 16 of The Securities and Exchange Board of India (Listing Obligations and disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”), requires a listed company to frame a policy for determining a “material” subsidiary, which shall be hosted on the website of PHOTONICS WATERTECH LIMITED (hereinafter referred to as “**the Company**”) and the web link of the same is to be disclosed in the section titled as ‘Corporate Governance Report’ of the Annual Report of the Company. This policy shall be governed by the provisions of the SEBI Act, Rules and Regulations made thereunder and all other applicable laws for the time being in force.

2. **Purpose**

This policy determines the criteria for identification of a ‘Material Subsidiary’, and disclosure thereof as required under the Listing Regulations. This Policy also intends to inter alia, ensure governance of Material Subsidiaries by complying with directorship requirements, review of financial statements, bringing to the attention of the Board certain transactions/ arrangements, rules regarding disinvestment of shares held by the Company, as well as restrictions on selling/ disposing/ leasing of assets of such subsidiaries by the Company.

3. **Definitions**

“**Audit Committee**” means the committee formed under Section 177 of the Companies Act, 2013 and the listing regulations.

"**Board of Directors**" or “Board” means the Board of Directors of Photonics Watertech Limited, as constituted from time to time.

Control" shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

"**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 provisions of Section 149 of the Companies Act, 2013 and under the Listing Regulation

“**Subsidiary**” shall have the same meaning as ascribed to it under the Companies Act, 2013 and the rules made thereunder. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contract (Regulation) Act, 1956 or any other applicable law or regulation, as amended from time to time.

“**Material Subsidiary**” shall mean a subsidiary, whose turnover or net worth or profits before tax in the annual Consolidated Financial Statements (CFS) of the respective year exceeds ten percent of the consolidated turnover or net worth or profits before tax respectively, of the 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 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 Material subsidiary"** for requirement of appointment of Independent Director" shall mean a subsidiary, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Listing Regulations, Securities Contract (Regulation) Act, 1956 or any other applicable law or regulation and the rules, notifications and circulars made/issued thereunder, as amended, from time to time.

Compliances under Regulations

In terms of Regulation 24 of Listing Regulations, the Company shall make the following compliances in connection with the Material Subsidiary:-

A. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.

B. The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meeting of the Board of Directors of the Company.

C. The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all Significant Transactions or Arrangements entered into by the unlisted subsidiary.

D. At least one independent director on the board of directors of the Company shall be appointed as a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

Explanation: Notwithstanding anything contained in this policy, for the purpose of above, the term "material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

E. The Company shall not dispose of the shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease to exercise 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 or under a resolution plan duly approved under Section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within One day of the resolution plan being approved.

F. The Company shall not sell, dispose of or lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year without the prior approval of its shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under Section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of resolution plan being approved.

Policy Amendment and Review

The Board is, subject to applicable laws, entitled to amend, suspend or rescind this policy at any time. Any difficulties or ambiguities in the policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict between the provisions of this policy of any relevant applicable law, such applicable law in force, from time to time, shall prevail over this Policy.