

Poonawalla Fincorp Limited

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Policy for determining Material Subsidiaries

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Introduction

Regulation 16(1)(c) of the SEBI Listing Regulations mandates all listed companies to formulate a policy for determining material subsidiary(ies). In this regard Poonawalla Fincorp Limited (hereinreferred to as the 'Company' or 'PFL') has amended the existing Policy for determining Material Subsidiaries in line with the SEBI Listing Regulations.

Objective

As the name suggests, material subsidiaries of the Company have a significant impact on the financials of the Company and therefore warrants a proper procedure for their identification. The objective of this Policy is to lay down the process for identification of such Material Subsidiaries and the manner in which transactions may be entered into with such Material Subsidiaries. The Policy shall further ensure governance of such Material Subsidiary companies.

Definitions

“Act” means Companies Act, 2013 & rules made there under.

“Audit Committee or Committee” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under provisions of section 177 of the Companies Act, 2013 and Regulation 18 of SEBI Listing Regulations.

“Board” or **“Board of Directors”** means the Board of Directors of PFL, as constituted from time to time. .

“Company” means Poonawalla Fincorp Limited (PFL).

“Material Subsidiary(ies)” means a subsidiary company, whose income or net worth exceeds 10% (ten percent) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

A list of such Material subsidiaries shall be presented to the Audit Committee annually for its noting.

“Unlisted Subsidiary(ies)” shall mean a Subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges.

“Policy” means this Policy for determining Material Subsidiaries.

“Significant Transaction or Arrangement” shall mean –

Any individual transaction or arrangement that exceeds or is likely to exceed 10% (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.

Subsidiary(ies)” means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.

Interpretation

Any words used in this policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Listing Regulations made thereunder, or any other relevant legislation/ law applicable to the Company including any amendments thereto.

- a) Company shall place before the Audit Committee and Board of Directors, quarterly and Annual Financial Statement of all its Subsidiaries, indicating the quantum of income and net worth of the subsidiaries, and consolidated income and net worth of the Company as per audited balance sheet of the previous financial year.
- b) Once a Subsidiary is identified as Material Subsidiary, the Company shall adhere to the following procedures:
 - i. PFL shall not dispose off shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% (fifty percent) 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, or under a resolution plan duly approved under section 31 of the Insolvency and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved;
 - ii. Selling, disposing and leasing of assets amounting to more than 20% (twenty percent) of the assets of the material subsidiary on an aggregate basis during any financial year shall require prior approval of 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 and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved;
 - iii. At least one independent director on the Board of PFL shall be a director on the Board of the Unlisted Material Subsidiary, whether incorporated in India or not.

For the purpose of this clause the term “**material subsidiary**” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- iv. Material unlisted subsidiary, incorporated in India, shall undertake secretarial

audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice in such form as may be prescribed.

General Compliances in respect of other Subsidiaries

Apart from the above, the following general compliances shall be adhered to by the Company with respect to all its Unlisted Subsidiaries, whether or not they are Material Subsidiaries:

- a) The management of the unlisted Subsidiary shall bring to the notice of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary on a quarterly basis.
- b) The Audit Committee and the Board of Directors of the Company shall review the financial statements, in particular, the investments made by the Unlisted Subsidiary.
- c) The minutes of the Board meetings of the Unlisted Subsidiary shall be placed at the subsequent Board meeting of the Company.
- d) Separate audited financial statements of each subsidiary in respect of a relevant financial year shall be uploaded on the website of the Company at least 21 days prior to the date of the annual general meeting of the Company.

Disclosures and Amendments

- a) The Policy for determining Material Subsidiary, duly approved by the Board of Directors shall be placed on the website of the Company and a weblink thereto shall be provided in the Annual Report of the Company.
- b) The Board of Directors shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy, based on the recommendations of the Audit Committee.