

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

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[Pursuant to Regulation 16(1) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015]

1. Preamble and background

The Securities and Exchange Board of India ("SEBI"), vide its notification dated September 2, 2015 has issued SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 as amended from time to time ["Regulations"]. Regulation 16(1)(c) of said Regulations states that the Listed Entity shall formulate a policy for determining Material Subsidiary.

As on the date of first formulation of this Policy, Company has only one subsidiary i.e. Nupur Finvest Private Limited, which was not "material subsidiary" in terms of erstwhile Regulation 16(1)(c) of the Regulations. However, w.e.f. April 1, 2019 being the date from which the amended Regulation 16(1)(c) came into effect Nupur Finvest Private Limited became the material subsidiary of the Company.

This revised policy has been adopted by the Board of Directors of Paisalo Digital Limited with regard to determination of "Material Subsidiary" as defined in this policy.

2. Definitions

"Act" means the Companies Act, 2013, Rules framed thereunder and any amendments thereto.

"Audit Committee" means the Audit Committee of the Board of Directors of the Company by whatever name called constituted under the provisions of Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

"Board" means the Board of Directors of the Company or its Committee.

"Company" means Paisalo Digital Limited.

"Control" shall have same meaning as assigned to it under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

"Holding Company" in relation to one or more other companies, means a company of which such companies are subsidiary companies.

"Policy" or "this Policy" means this Policy for determining "Material Subsidiary", as amended time to time.

"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 all the criteria for independent director as prescribed under Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

"Net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred

expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

“Regulations” or “SEBI (LODR) Regulations, 2015” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015.

“Significant Transaction or Arrangement” means any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenue 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 Company” means a subsidiary as defined under Section 2(87) of the Companies Act, 2013 and rules related thereto.

“Unlisted Subsidiary” means an Subsidiary of the Company whose securities are not listed on any Stock Exchange.

All other words, terms and expressions used but not defined in this policy, shall have the same meaning as respectively assigned to them in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 or rules and regulations made thereunder, or any statutory modification or re-enactment thereto, as the case may be.

3. Objective

The objective of this Policy is to determine material subsidiary(ies) of the Company and to provide a governance framework for material subsidiary(ies).

The Policy is formulated in accordance with the requirements of Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

4. Criteria for determining material subsidiary

A subsidiary shall be considered Material if any of the following conditions are satisfied:

- the income of subsidiary exceeds 10% of consolidated income of the listed entity and its subsidiaries in the immediately preceding accounting year; or
- the net worth of subsidiary exceeds 10% of consolidated net worth of the listed entity and its subsidiaries in the immediately preceding accounting year.

Unlisted material subsidiary shall mean a subsidiary which is incorporated in India or not and whose:

- income exceeds 20% of the consolidated income of the listed entity and its subsidiaries in the immediately preceding accounting year; or
- net worth exceeds 20% of consolidated net worth of the listed entity and its subsidiaries in the immediately preceding accounting year.

5. Materiality test

The materiality test shall be applied every year as soon as the audited financial statements of the Company are made available by the Auditors of the Company.

In case any of the subsidiary(ies) falls under such criteria of material subsidiary, the same is to be reported to the Audit Committee and Board for its noting at the first instance.

6. Compliances/ Governances/ Disclosures

Following requirements must be observed by the Company in relation to a material subsidiary of the Company:

- At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of an unlisted material subsidiary, incorporated in India or not.
- The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- 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.
- 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 and arrangements entered into by the unlisted subsidiary.
- Subsidiary company shall not either by its own or through its nominee(s), holds any shares in the Company (holding company) and the Company shall not allot or transfer its shares to any of its subsidiary(ies) and any such allotment or transfer of shares of Company to its subsidiary shall be void.
- Every material unlisted subsidiary incorporated in India shall undertake secretarial audit and shall provide the secretarial audit report, given by a company secretary in practice, in such forms as may be specified, to the Company for annexing the same with Company's annual report

7. Restrictions

The Company shall not, without the prior approval by way of passing special resolution in its General Meeting:

- dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary; or
- sell, dispose and lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year.

Provided that prior approval by way of passing special resolution in General Meeting shall not be required in case where such divestment of shares, sale, disposal, lease of the assets as the case may be is made under a scheme of arrangement duly approved by 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.

8. Amendment, review and disclosure

In case there are any regulatory changes requiring modification to the Policy, the Policy shall be reviewed and amended with due approval from Managing Director of the Company and same shall be ratified by Board of Directors. The Board of Directors may also review or amend this Policy, in whole or part, from time to time as per requirement of the Regulations.

The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

As provided in Regulation 46(2) of SEBI (LODR) Regulations, 2015, this policy shall be disclosed on the Company's website.