

Policy for determining Material Subsidiary and Governance framework

Version 1.0

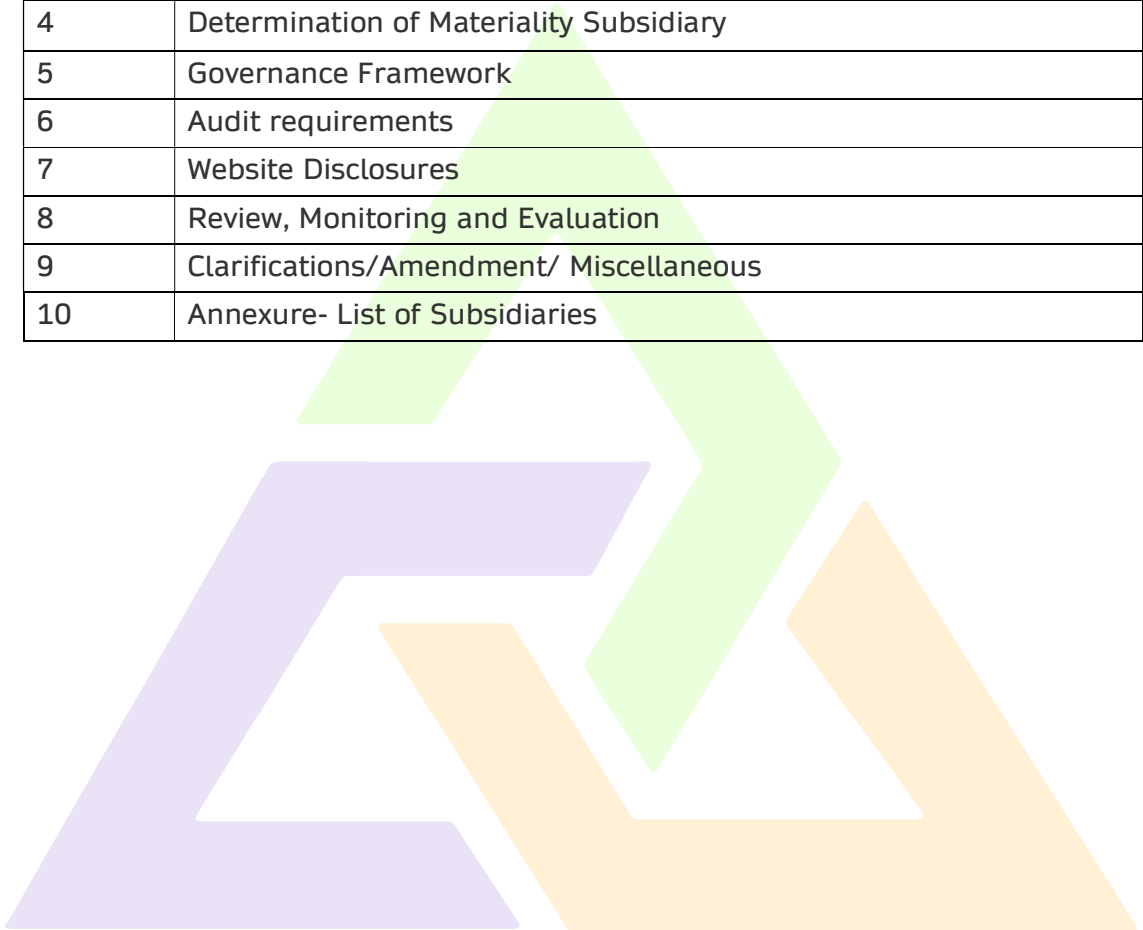
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CONTENTS

S. No	Descriptions
1	Preamble
2	Name & Scope of Policy
3	Definitions
4	Determination of Materiality Subsidiary
5	Governance Framework
6	Audit requirements
7	Website Disclosures
8	Review, Monitoring and Evaluation
9	Clarifications/Amendment/ Miscellaneous
10	Annexure- List of Subsidiaries



PREAMBLE

Annapurna Finance Private Limited (“AFPL”) is a body corporate incorporated under the Companies Act, 1956 and registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company – Microfinance Institution (NBFC-MFI). The Company is engaged in the business of microfinance and operates in accordance with the applicable provisions, directions, and guidelines issued by the RBI from time to time.

Annapurna Finance Private Limited, being a listed entity (debt Listed), is to comply with the regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and the guidelines issued by the Securities and Exchange Board of India (“SEBI”) from time to time in this regard.

Regulation 16 (1) (c) of Listing Regulations mandates a listed entity to formulate a policy for determining ‘material’ subsidiary and this Policy is formulated to fulfil the said requirement.

NAME & SCOPE OF POLICY

- This policy shall be called “Policy on Determining Material Subsidiaries and Governance Framework” (“Policy”).
- The Board of Directors of AFPL shall be the authority to approve, adopt and to revise and update this policy.
- This Policy sets out the criteria for determining ‘Material Subsidiaries’ in accordance with the provisions of the Listing Regulations.
- Operational guidelines for determining Material Subsidiaries under this Policy have been formulated and may be amended from time to time, as required, with the approval of the competent authority.

DEFINITIONS

In this Policy, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as below:

“Act” means Companies Act, 2013 & rules made thereunder.

“Audit Committee or Committee” means “Audit Committee” constituted by the



Board of Directors of the Company, from time to time.

“Board of Director” or “Board” means the Board of Directors of AFPL, as constituted from time to time.

“Company” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“Designated securities” means specified securities, non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares, Indian depository receipts, securitised debt instruments, security receipts, units issued by mutual funds, Zero Coupon Zero Principal Instruments and any other securities as may be specified by the Board.

“Holding Company” means a holding company as defined in sub-section (46) of section 2 of the Companies Act, 2013;

“Independent Director” means a director of the Company, not being a whole-time director and who neither is a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Listed entity” means an entity which has listed, on a recognized stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognized stock exchange(s);

“Material Subsidiary” means a subsidiary, whose turnover or net worth exceeds 10% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

“Net worth” means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013;

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

“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.

“SEBI or Listing Regulations” shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Words importing the singular number shall include the plural number and words importing the masculine gender shall, where the context admits, include the feminine and neutral gender.

Words and expressions used but not defined in this Policy shall have the same meaning as ascribed to them in the Act / Regulations, and the rules made thereunder, as the case may be or in any subsequent amendment thereto. This Policy shall be subject to such statutory clarifications, informal guidance and FAQs as may be issued by Regulatory Authority from time to time.

DETERMINATION OF THE MATERIAL SUBSIDIARY

A subsidiary of the AFPL shall be considered as material if, its turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

AFPL shall, at the meeting in which the financial results for the year ended 31st March are considered and approved each year, identify its Material Subsidiaries and update the list of such subsidiaries, as set out in the Annexure.

GOVERNANCE FRAMEWORK FOR SUBSIDIARY INCLUDING MATERIAL SUBSIDIARY, IF ANY

- i) At least one Independent Director of the Company shall be a director on the Board of the **material unlisted subsidiary** Company, whether incorporated in India or not. Here **“Material Unlisted subsidiary”** means an unlisted subsidiary, incorporated in India, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.
- i The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- ii 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 listed entity.

iii The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

iv The Company, without the prior approval of the members by special resolution as prescribed under Regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall not:

- Dispose shares in the Material Subsidiary that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- Cease the exercise of control over the Material Subsidiary; or
- Sell, dispose of or lease the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during an Financial year; Except in cases where such sale, disposal, lease as the case may be is made under a scheme of arrangement duly approved by the Court /Tribunal or under Resolution Plan duly approved under Section 31 of IBC 2016.

Nothing contained in this sub-regulation shall be applicable if such sale, disposal or lease of assets is between two wholly owned subsidiaries of the listed entity.

v Where a listed entity has a listed subsidiary, which is itself a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

AUDIT REQUIREMENTS

The material unlisted subsidiary incorporated in India shall undertake secretarial audit and shall annex with AFPL's annual report, a secretarial audit report, given by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary in such format as may be specified by SEBI.

RELATED PARTY TRANSACTIONS

All related party transactions and subsequent material modifications shall be approved by the Audit Committee of AFPL. In addition, a related party transaction above Rs 1 crore whether entered individually or taken together with previous transactions during a financial year to which subsidiary is a party but AFPL is not a party will be undertaken post approval of the Audit Committee of AFPL if the value exceeds lowers of :-

- a. 10% of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary, or

- b. the threshold for material related party transactions of listed entity as specified in Schedule XII of the SEBI LODR Regulations, 2015

WEBSITE DISCLOSURES

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

REVIEW, MONITORING AND EVALUATION

This Policy will be reviewed periodically (at least on Yearly basis) by the Board of Directors to ensure its effectiveness and compliance with listing regulations.

The Board reserves the power to review and amend this policy as and when necessary. All provisions of this policy would be subject to revision and amendment in accordance with the applicable laws as may be issued by relevant authorities, from time to time.

CLARIFICATIONS/AMENDMENTS/ MISCELLANEOUS

This Policy has been made in consonance with the contemporary rules, regulations and laws prevailing in India. However, if, due to subsequent changes in the law, a particular provision or part thereof becomes redundant or is inconsistent with the law, in such case the applicable provisions of the law shall prevail.

ANNEXURE

List of Subsidiaries

S. No.	Subsidiary Company Name	Status (Subsidiary/ Subsidiary)	Material
1	Annapurna Tech Universe Private Limited (CIN: U46512OD2026PTC052157)	Subsidiary	
2	Annapurna SME Finance Private Limited (CIN: U65990OR2020PTC035123)	Subsidiary (Dormant Status)	