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POLICY ON MATERIAL SUBSIDIARIES

A. **PREFACE**:

This policy on Material Subsidiaries is formulated pursuant to the regulation 16(1)(C) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "Listing Regulations"). The Policy is further revised to reflect the changes made in the Act, Rules and Listing Regulations from time to time. This revised policy is effective from April 01, 2019.

B. **OBJECTIVE**:

This Policy will be used to determine the material subsidiaries of the Company and to provide the governance framework for such subsidiaries.

C. **DEFINITIONS**:

"Act" means the Companies Act, 2013.

"Company" means PMC Fincorp Limited.

"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 Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

"Net Worth" means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.

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

Words and expressions used in the Policy but not defined herein shall have the meaning ascribed to them in the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, as amended from time to time.

D. **CRITERIA FOR MATERIAL SUBSIDIARY:**

A subsidiary shall be considered as 'material', if:

- the net worth of the subsidiary exceeds 10% of the consolidated net worth of the Company during the immediately preceding financial year; OR

- the subsidiary has generated more than 10% of the consolidated income of the Company during the immediately preceding financial year.

Based on audited standalone annual financial statements of Company and its subsidiaries, in each financial year, the Company would identify the subsidiaries which would get covered under the definition of material subsidiary as provided above.

E. **GOVERNANCE FRAMEWORK FOR MATERIAL SUBSIDIARIES:**

1. In case of Material Unlisted Subsidiary, atleast one Independent Director of the Company shall also be a director on the Board of such Material Unlisted Subsidiary.

   Explanation - For the purposes of considering material subsidiary in this Point, 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.

2. Apart from above, the applicable provisions/corporate governance requirements of the Act and Listing Regulations for all subsidiaries of Company shall be complied.

F. **DISPOSAL OF SHARES / ASSETS OF MATERIAL SUBSIDIARY:**

If a subsidiary is found to be Material, then the Company shall not:

1. 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 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.

2. Sell, dispose and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall without obtaining 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolute ion plan being approved.

G. **AMENDMENT**

The Board may amend or modify this Policy in whole or in part, from time to time.

In case of any conflict between the provisions of this Policy and of Statutory Provisions the Statutory Provisions shall prevail over this Policy. Any subsequent amendment/ modification in the Statutory Provisions shall automatically apply to this Policy.