

PROLIFIC RESOLUTION PRIVATE LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as approved by the Audit Committee on May 15, 2023 and adopted by the Board of Directors on May 15, 2023.

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1. PREAMBLE

Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) requires the Board of Directors of the Company to frame a Policy for Determining Material Subsidiary.

The purpose of this Policy is to determine the following:

- Meaning of Material Subsidiary
- Requirement of Independent Director in certain unlisted Material Subsidiaries, incorporated in India or not
- Restriction on disposal of shares of Material Subsidiary by the Company
- Restriction on disposal or lease of assets of Material Subsidiary by the Company
- Disclosure requirements, under the Listing Regulations, as amended, and any other laws and regulations as may be applicable to the Company.

Accordingly, the Board of Directors of Prolific Resolution Private Limited has adopted this Policy for Determination of Material Subsidiary.

This Policy is disclosed on the Website of the Company at www.prolificresolution.com.

2. DEFINITIONS

- a) **“Act”** means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- b) **“Audit Committee”** means the Committee constituted pursuant to Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, including any statutory modification(s) or re-enactment(s) thereof.
- c) **“Board of Directors”** or **“Board”** means the Board of Directors of Prolific Resolution Private Limited, as constituted from time to time.
- d) **“Company”** means Prolific Resolution Private Limited.
- e) **“Consolidated Income or Consolidated Net Worth”** shall mean the total income or net-worth, as the case may be, of the Company and its Subsidiaries.
- f) **“Independent Director”** shall have the meaning as ascribed to the term under Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, read with Section 149 of the Companies Act, 2013, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- g) **“Material Subsidiary”** shall have the meaning as stated hereinafter in the Policy.

- h) **“Net Worth”** means net worth as defined in Section 2(57) of the Companies Act, 2013 read with the Regulation 2(1)(s) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- i) **“Subsidiary”** shall mean a subsidiary as defined under the Companies Act, 2013 and Rules made thereunder (‘Act’).
- j) **“Significant Transaction or Arrangement”** shall have the meaning as stated hereinafter in the Policy.
- k) **“SEBI Listing Regulations”** means SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- l) **“Unlisted Material Subsidiary”**. shall mean a Material Subsidiary whose designated securities are not listed on any recognised Stock exchange in India
- m) **“Unlisted Subsidiary”** means a Subsidiary whose designated securities are not listed on any recognized stock exchange.

3. DETERMINATION OF MATERIAL SUBSIDIARY

A Subsidiary of the Company shall be considered as a ‘Material Subsidiary’, if the income or net worth of the Subsidiary exceeds 10% of Consolidated Income or Net Worth, as the case may be, as per the audited financial statements of the immediately preceding financial year.

Provided however, in case the Consolidated Net Worth being negative at the end of the immediately preceding financial year, the Material Subsidiary shall mean an Unlisted Subsidiary whose income exceeds 10 % of the Consolidated Income for the immediately preceding financial year.

The Company shall, on formation of a Subsidiary, at the end of every year, determine whether the Subsidiary falls under the criteria for Material Subsidiary as defined above. In case the Subsidiary falls under the criteria, the same is to be reported to the Board for its noting at the first instance.

4. GOVERNANCE FRAMEWORK

a. APPOINTMENT OF INDEPENDENT DIRECTORS

At least one Independent Director on the Board of the Company shall be a Director on the Board of the unlisted Material Subsidiary, whether incorporated in India or overseas.

For the purpose of the above provision “Material Subsidiary” shall mean a Subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its Subsidiaries in the immediately preceding accounting year.

b. RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY

The Company shall not dispose of shares in the Material Subsidiary resulting in reduction of its shareholding (either on its own or together with other Subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its general meeting.

The provision as stated above shall not be applicable if the divestment or sale or disposal or 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.

c. RESTRICTION ON DISPOSAL AND/OR LEASING ASSETS OF MATERIAL SUBSIDIARY

The Company shall not sell, dispose of or lease out assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during the financial year without passing a special resolution in its general meeting.

The provision as stated above shall not be applicable if the divestment or sale or disposal or 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.

d. SECRETARIAL AUDIT

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.

5. REVIEW FRAMEWORK

a. MATTERS TO BE REVIEWED BY BOARD OF DIRECTORS

- The Minutes of the Board Meetings of the Unlisted Subsidiary
- Statement of all significant transactions and arrangements entered into by the Unlisted Subsidiary
- A statement containing salient features of the financial statement of its Subsidiaries and Associate Companies (on an annual basis).

b. MATTERS TO BE REVIEWED BY AUDIT COMMITTEE

- Financial statements of Subsidiaries, in particular, the investments made by the Unlisted Subsidiaries.
- Utilization of loans and/ or advances from/investment in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower.
- Any transaction between the Company and its Subsidiary(ies) shall be entered into in accordance with the Policy on dealing with Related Party Transactions of the Company.

6. INTERPRETATION

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or rules and regulations made thereunder, or any other relevant legislation / law applicable to the Company. In case of any conflict between the law and the policy, the law shall prevail.

7. AMENDMENTS

The Board shall have the power to amend the Policy or replace the Policy entirely with a new Policy. However, the Company Secretary is authorized to provide clarifications or to amend the Policy to give effect to any changes / amendments notified by the Securities Exchange Board of India. Consequently, the Policy shall be placed before the Board for its noting and ratification.