

## **POLICY ON MATERIAL SUBSIDIARIES OF BASILIC FLY STUDIO LIMITED**

*(Approved by Board on its meeting held on 31<sup>st</sup> March 2023)*

### **1. PURPOSE OF THE POLICY**

The policy for determining material subsidiary companies ("**Policy**") has been framed in accordance with Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR**") and other applicable provisions (including any statutory enactments or amendments thereto).

The purpose of this policy is to determine the material subsidiaries of **Basilic Fly Studio Limited** ("**Company**") and the disclosure thereof as required under the LODR. The policy also intends to ensure the governance of material subsidiary companies by complying with directorship requirements, reviewing financial statements, bringing to the attention of the board certain transactions or arrangements, establishing rules regarding disinvestment of shares held by the company, and placing restrictions on the selling, disposing, or leasing of assets of such subsidiaries by the company.

2. The Policy shall be effective from the date of listing of securities of the Company.

### **3. DEFINITIONS**

- a. "**Audit Committee**" implies the audit committee constituted by the Board of Directors of the company from time to time under provisions of the LODR Regulations and the Companies Act, 2013.
- b. "**Board**" implies the Board of Directors of the company.
- c. "**Companies Act**" means the Companies Act, 2013 and the rules made there under.
- d. "**Control**" shall include the right to appoint the majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder agreements or voting agreements or in any other manner.
- e. "**Directors**" implies all the Directors on the Board.
- f. "**ED**" implies Executive Director of the Company.
- g. "**Independent Director**" or "**ID**" implies a non-executive director of the company, other than a nominee director, who is neither a promoter nor belongs to the promoter group of the company and who satisfies other criteria for independence mentioned in the Companies Act and the LODR Regulations.
- h. "**Material Subsidiary**" means a subsidiary whose income or net worth exceeds 10% of the consolidated income or net worth, respectively, of the company and its subsidiaries in the immediately preceding accounting year.
- i. "**Unlisted Material Subsidiary**" implies an unlisted subsidiary, incorporated in India, whose income or net worth exceeds 10% of the consolidated income or net worth, respectively, of the company and its subsidiaries in the immediately preceding accounting year.

- j. "**Significant Transaction or Arrangement**" implies any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues, total expenses, total assets, or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.
- k. "**Subsidiary**" shall have the same meaning as defined under Section 2 (87) of the Companies Act and the rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the LODR Regulations, the Securities Contract (Regulation) Act, 1956, or any other applicable law or regulation and the rules, notifications, and circulars made or issued thereunder, as amended from time to time.

#### **4. OBJECTIVES OF THE POLICY**

The objective of this policy is to determine the following:

- a. meaning of "material subsidiary;"
- b. Requirement of ID in certain unlisted material subsidiaries, incorporated in India;
- c. restriction on the disposal of shares of material subsidiaries by the company.
- d. restriction on the transfer of assets of material subsidiaries; and
- e. disclosure requirements under the LODR and any other laws and regulations that may be applicable to the company.

#### **5. IDENTIFICATION OF MATERIAL SUBSIDIARY**

The material subsidiary shall be identified in terms of the provisions of LODR as applicable for each case.

The Audit Committee shall, on a need-basis, review such details and information as may be required to determine the "Material Subsidiaries."

If a listed holding company has a listed subsidiary, the policy shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

#### **6. GUIDING PRINCIPLES**

"Material Subsidiary" and "Unlisted Material Subsidiary" of the company would be identified, if any, as a one-time exercise, and such an exercise would be done on a need-basis, with the conclusion being placed before the Audit Committee and the Board of the company. The identification may happen soon after the preparation of annual accounts, and the outcome should be placed before the Audit Committee or Board, as the case may be, in the meeting where the annual audited accounts of the company are considered.

## **7. INVESTMENTS IN SUBSIDIARIES**

Approval of the Board is required to invest more than 10% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year in a subsidiary of the Company.

The Managing Director / Whole-Time Director shall provide the following details to the Board to consider the above-referred investment:

1. Name of the company in which the company proposes to invest.
2. profile of the company.
3. objects of the investment
4. future prospects of the company in which the company proposes to invest; and
5. advantages of such investments.

While considering the proposal to invest as above, the Board shall consider the following:

1. Whether the company or business in which the company proposes to invest has the potential to increase profitability
2. Whether such investment is for profit or strategic advantages,
3. Whether the objectives set out for such investments can be achieved and
4. Whether any alternate investment opportunity is available to achieve the objects set out for such investments

## **8. GOVERNANCE FRAMEWORK**

- a. The Audit Committee of the Board of the Company shall review the financial statements, in particular the investments made by the Unlisted Subsidiary Company.
- b. The minutes of the board meetings of the unlisted subsidiaries shall be placed before the board of the company.
- c. The management shall periodically bring to the attention of the Board of Directors of the company a statement of all significant transactions and arrangements entered by the unlisted subsidiary company.
- d. At least one independent director of the company shall be a director on the board of the unlisted material subsidiary (for the purpose of this clause, notwithstanding anything to the contrary to this policy and to the LODR, the term "material subsidiary" shall mean a subsidiary whose income or net worth exceeds 10% of the consolidated income or net worth respectively of the company and its subsidiaries in the immediately preceding accounting year).

## **9. RESTRICTION ON DISPOSAL OF SHARES OF MATERIAL SUBSIDIARY BY THE COMPANY**

The Company shall not dispose of shares in its material subsidiaries which would reduce its shareholding (either on its own or together with other subsidiaries) to less than fifty percent (50%) or cease the exercise of control over the subsidiary without passing a special resolution in its general meeting, except in such cases where divestment is made under a scheme of arrangement duly approved by a court or 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 approval of the resolution plan.

## **10. RESTRICTION ON DISPOSAL OF ASSETS OF MATERIAL SUBSIDIARY**

Selling, disposing, and leasing of assets amounting to more than twenty percent (20%) of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale, disposition, or lease is made under a scheme of arrangement duly approved by a court or 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.

## **11. REPORTING AND DISCLOSURE**

As prescribed under Regulation 46(2)(h) of the LODR Regulations, this policy shall be disclosed on the company's website, and a web link thereto shall be provided in the annual report.

## **12. REVIEW OF THE POLICY**

The Board of Directors of the company or any duly authorized committee thereof, subject to applicable laws, may amend, suspend, or rescind this policy at any time. Any difficulties or ambiguities in the policy will be resolved by the Board of Directors or such committee in line with the broad intent of the policy. The Board of Directors or such a committee may also establish further rules and procedures, from time to time, to give effect to the intent of this policy. In the event of any conflict between the provisions of this policy and the applicable law dealing with related-party transactions, such applicable law in force from time to time shall prevail over this policy.

## **13. COMPLIANCE RESPONSIBILITY**

Compliance with this policy shall be the responsibility of the Company Secretary, who shall have the power to ask for any information or clarifications from the management in this regard.