

# POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARY

*Version 3.0*

**Approved by:**

- Board of Directors
- 

**Recommended by:**

- Sanjay Sharma, Managing Director
  - Gaurav Seth, Chief Financial Officer
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**Reviewed by:**

- Mr. Jinu Joseph, Chief Technology Officer
  - Ms. Nancy Gupta, Chief Risk Officer
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**Proposed by:**

- Mr. Vipul Sharma, Company Secretary, Compliance Officer & CCO

## Version Control

Version	Board Approval Date	Change Detail
1.0	January 5, 2024	Original Draft
2.0	February 7, 2025	Annual Review & to align with the recent amendments in SEBI Listing Regulations, 2015
3.0	April 27, 2026	<ul style="list-style-type: none"> <li>• Addition of provisions related to Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025</li> <li>• Aligned with the provisions of SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015.</li> <li>• Addition of Clause namely Disposal of Material Subsidiary</li> <li>• Addition of clause Namely Disclosure</li> <li>• Addition of Clause namely Review &amp; Amendment of the Policy</li> </ul>

**POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARY**

Aye Finance Limited (*formerly known as Aye Finance Private Limited*) (referred to as "**the Company**") is a Non-Banking Financial Company ("NBFC"), classified as middle layer NBFC in accordance with Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 which commenced its operations in April 2014. The Company has issued privately placed Non-Convertible Debentures which are listed on wholesale debt market segment of BSE Limited.

The Company has a wholly owned subsidiary known as Foundation for Advancement of Mirco Enterprises ("**FAME**") incorporated under Companies Act, 2013 as section 8 Company which carries out CSR activities on its behalf.

Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("**Listing Regulations**") required Company to formulate a policy for determining its "material subsidiary" ("**Policy**"), this Policy outlines the manner in which the Company will identify its "material" subsidiary which shall mean a subsidiary, whose turnover or net worth exceeds 10 percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year and also prescribes certain governance requirements which need to be adhered to by the Company with respect to management of its material subsidiary.

The words and expressions used in this policy and not defined herein but defined in the Act and the Listing Regulations, 2015, as may be amended from time to time, shall have the meaning respectively assigned to them therein.

Since FAME is not for profit Company and its turnover, profits etc. are not consolidated with the Company's books of accounts, hence FAME shall not be considered as Material Subsidiary.

**Governance Requirements**

- a) The Company shall appoint at least 1 (one) of its independent directors on the board of directors of its unlisted Material Subsidiary, whether incorporated in India or not.

For the purpose of this para, the term 'Material Subsidiary' shall mean a subsidiary whose turnover or net worth exceeds 20% (twenty per cent) of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

- b) The Audit Committee shall review the financial statements of, and, in particular, investments made by the Unlisted Subsidiary.

- c) The Board shall review the minutes of meetings of the board of directors of the Unlisted Subsidiary which shall be placed at the meeting of the Board.

- d) The management of the unlisted subsidiary shall periodically bring to notice of the Board a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary.
- e) The Company shall disclose all events with respect to its Subsidiaries which are material for the Company.
- f) Every material subsidiary incorporated in India shall undertake secretarial audit as referred under Section 204 of the Act by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary and the secretarial audit report shall be annexed with the annual report of the Company.

**Disposal of Material Subsidiary**

- a. The Company shall not without prior approval of the shareholders of the Company by way of a special resolution passed in a general meeting:
  - (i) dispose shares held by the Company in its Material Subsidiary which shall result in reduction of the Company's shareholding in the Material Subsidiary (either individually or together with its other subsidiary) to less than or equal to 50% (fifty per cent) or the Company ceasing to exercise control over the Material Subsidiary; or
  - (ii) sell, dispose or lease assets of the Material Subsidiary which amount to more than 20% (twenty per cent) of the assets of the Material Subsidiary on an aggregate basis during a financial year.

The shareholders' approval by way of a special resolution as aforesaid will not be required, if such disinvestment or sale, disposal or lease of assets:

- (a) is under a scheme of arrangement formulated under the Act and duly approved by the National Company Law Tribunal; or
- (b) is pursuant to a resolution plan is formulated and approved under section 31 of the Insolvency and Bankruptcy Code, 2016, and the approval of the resolution plan is notified to the concerned stock exchanged within one day of the resolution plan being approved.
- (iii) If such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company, prior approval of the shareholders of the Company by way of special resolution is not required.

**Disclosure**

This Policy shall be uploaded on the website of the Company and a web link thereto shall be provided in the annual report of the Company.

**Review & Amendment of the Policy**

The Board shall review the Policy from time to time based on the changing needs and

make suitable modifications as may be necessary. The Board can also amend the Policy from time to time in accordance with requirements of, and to ensure compliance with, the provisions of the SEBI (LODR) Regulations, 2015.

In the event of any conflict between the provisions of this Policy and the applicable law(s) or any other statutory enactments, rules, the provisions of applicable law(s) or statutory enactments, rules shall prevail over this Policy.