

POLICY ON
IDENTIFICATION OF
GROUP COMPANIES,
MATERIAL
CREDITORS AND
MATERIAL
LITIGATIONS

A. INTRODUCTION

This Policy has been formulated to define the materiality for identification of group companies, outstanding litigation and outstanding dues to creditors in respect of Picturepost Studios Limited (the "Company"), pursuant to the disclosure requirements under Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time ("SEBI ICDR Regulations").

B. APPLICABILITY AND OBJECTIVE

This policy shall be called the 'Policy on Identification of Group Companies, Material Creditors and Material Litigations' ("Policy").

The Board of Directors of the Company ("Board") at their meeting held on _____ discussed and approved this Policy. This Policy shall be effective from the date of approval of this Policy by the Board.

The Company has adopted this Policy for identification and determination of: (i) material creditors; (ii) material litigations and (iii) Group Companies pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the Offer Documents.

"Offer Documents" means the Draft Prospectus and the Prospectus to be filed by the Company in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India, Registrar of Companies, Mumbai ("RoC") and stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

All other capitalised terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Documents.

In this Policy, unless the context otherwise requires:

- (i) Words denoting the singular shall include the plural and vice versa.
- (ii) References to the words "include" or "including" shall be construed without limitation.

C. POLICY PERTAINING TO THE IDENTIFICATION OF MATERIAL GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

The Policy with respect to the identification of the group companies, material creditors and material litigation shall be as follows:

Identification of 'Material' Group Companies:

Requirement:

As per the requirements of the SEBI ICDR Regulations, Group Companies include such companies as covered under the applicable accounting standards (i.e. Indian Accounting Standard 24 ("Ind AS 24"), as applicable) as per the restated financial statements for three (3) financial years and any subsequent stub period preceding the date of the Offer Document, which is

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included in such Offer Document and also any other companies as considered material by the board of directors of the Company.

Policy on Materiality:

A company shall be considered material and disclosed as a Group Company if a material adverse change in such company, can lead to a material adverse effect on the Company, and its revenues and profitability. Other than companies which constitute part of the related parties of the Company in accordance with the applicable accounting standards (Ind AS 24) as per the latest audited and restated financial statements of the Company included in the Offer Documents.

For avoidance of doubt, it is hereby clarified that the Subsidiaries shall not be considered as Group Companies for the purpose of disclosure in the Offer Documents.

Identification of Material Creditors

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents for outstanding dues to creditors:

- (i) Based on the policy on materiality defined by the Board and as disclosed in the Offer Document, disclosure for such creditors;
- (ii) Consolidated information on outstanding dues to small scale undertakings and other creditors, separately giving details of number of cases and amount involved; and
- (iii) Complete details about outstanding dues to creditors as per (i) and (ii) above shall be disclosed on the webpage of the Company with a web link thereto in the offer document Policy on materiality:

For identification of material creditors, in terms of point (1) above, a creditor of the Company, shall be considered to be material for the purpose of disclosure in the Offer Documents, if amounts due to such creditor exceeds 10% of the trade payables of our Company as per the latest audited financial statements of the immediately preceding year included in the Offer Documents.

Disclosures in offer document regarding creditors and SSIS and MSMES

(i) For creditors identified as 'material' based on the abovementioned Policy, information on outstanding dues to such material creditors shall be disclosed in the Offer Documents along with details of number of creditors and amount involved on an aggregate basis, as of the date of the latest restated financial statements included in the Offer Document.

(ii) For outstanding dues to small scale undertakings ("SSI") or a micro small or medium enterprise ("MSME"), the disclosure will be based on information available with the Company regarding the status of the creditors as an SSI or MSME as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report. Information for such identified SSI or MSMEs creditors shall be provided in the Offer Documents in the following manner:

- a. aggregate amounts due to such creditors; and
- b. aggregate number of such creditors.

as of the date of the latest restated financial statements included in the Offer Document

(iii) In respect of all creditors of the Company, consolidated information on outstanding dues to the creditors shall be disclosed in the Offer Documents comprising the number of creditors and amount involved on an aggregate basis, as of the date of the latest restated financial statements included in the Offer Document

The Company shall make relevant disclosures before the Audit Committee/ Board of directors as required by applicable law from time to time.

Identification of Material Litigation

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall disclose all the litigation involving the Company, its subsidiaries, joint ventures, directors and group companies related to:

- (i) All criminal proceedings;
- (ii) All actions by statutory / regulatory authorities;
- (iii) Taxation separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and
- (iv) Other pending litigations as per policy of materiality defined by the Board and disclosed in the Offer Documents.

Policy on materiality:

For the purpose of disclosures in the Offer Documents, as prescribed under the SEBI ICDR Regulations, all companies which are identified as related parties (in accordance with AS 18/Ind AS 24 issued by the Institute of Chartered Accountants of India) on the basis of the restated financial statements to be included in the Offer Documents shall be identified as 'Group Companies' in the Offer Documents. In addition to group companies determined as per AS 18/Ind AS 24, the companies that are considered material by the Board shall be disclosed as 'Group Companies' in the Offer Documents. A company shall be considered material and disclosed as 'Group Company' if a material adverse change in such company, can lead to a material adverse effect on the Company and its revenues and profitability. For the avoidance of doubt, it is clarified that the above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and / or such other applicable authority with respect to listed companies and that the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents and should not be applied towards any other purpose.

Other than litigations mentioned in point (i) to (ii) above, any other pending litigation involving the Company, its directors, subsidiaries and joint ventures and group companies shall be considered "material" for the purpose of disclosure in the Offer Documents if: -

- (a) the monetary amount of claim made by or against the Company, its subsidiaries, joint ventures, directors and group companies in any such pending litigation is equal to or in excess of 1% of the Net worth of the Company as of March, 31, 2018 as provided under restated financial statement); or
- (b) where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in an individual litigation does not exceed 1% of the Net worth of the Company as of March, 31, 2018 as provided under restated financial statement); and
- (c) any such litigation an adverse outcome of which would materially and adversely affect the Company's business, prospects, operations, financial position or reputation, irrespective of the amount involved in such litigation.
- (d) Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action

D. AMENDMENT

The Board (including its duly constituted committees wherever permissible), shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. This Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.
