



POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

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Owned By	Legal
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1. Introduction

The Securities and Exchange Board of India (“SEBI”) has issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (“Regulations”) which requires every listed company whose Specified Securities (*defined hereinafter*) are listed on a Stock Exchange (*defined hereinafter*), to *inter-alia*, formulate a policy for determining material subsidiaries of such listed company. Capital India Finance Limited (“Company”) has accordingly adopted this policy for determining material subsidiaries of the Company (“Policy”).

2. Objective

The objective of the Policy is to ensure compliance with Regulation 16(1)(c) of the Regulations, by formulating a policy for determining ‘material subsidiaries’ of the Company and to provide a governance framework for such ‘*material subsidiaries*’.

3. Definitions

“**Audit Committee**” shall mean the audit committee constituted by the Board of Directors.

“**Board of Directors**” or “**Board**” shall mean the board of directors of the Company.

“**Companies Act**” shall mean: (i) the Companies Act, 2013 and the rules made (to the extent in force on the relevant date); and (ii) the Companies Act, 1956 and the rules made (to the extent in force on the relevant date), there under, each, as amended from time to time.

“**Material Subsidiary**” shall mean a Subsidiary which qualifies the criteria specified in Clause 5 hereto.

“**Net Worth**” shall have the meaning given to such term in in sub-section (57) of section 2 of the Companies Act 2013.

“**Significant Transaction or Significant Arrangement**” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% (Ten Percent) of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted Subsidiary for the immediately preceding accounting year.

“**Specified Securities**” shall mean equity shares and convertible securities as defined under clause (zj) of sub-regulation (1) of Regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

“**Stock Exchange**” shall mean a recognised stock exchange as defined under clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956.

“**Subsidiaries**” shall have the meaning given to such term in the Companies Act.

4. Interpretation

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Regulations, the Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, or the Companies Act and the rules and regulations made thereunder, as the case may be or in any amendment thereto.

5. Identification

The Company shall consider its Subsidiary as a Material Subsidiary if it satisfies any of the following criteria:

- a) The Net Worth of the Subsidiary exceeds 10% (Ten Percent) of the consolidated Net Worth of the Company and its Subsidiaries in the immediately preceding accounting year; or
- b) The income of the Subsidiary exceeds 10% (Ten Percent) of the consolidated income of the Company and its Subsidiaries in the immediately preceding accounting year.

The Chief Financial Officer of the Company shall be responsible for identifying the Material Subsidiaries.

6. Corporate Governance requirements with respect to Subsidiaries of the Company

- a) The Audit Committee of the Board shall review the financial statements, and in particular the investments made by the Company's unlisted Subsidiaries.
- b) The minutes of the meetings of the board of directors of the Company's unlisted Subsidiaries of the Company shall be placed before the Board.
- c) A statement of all Significant Transactions or Significant Arrangements entered into by the unlisted Subsidiary of the Company shall be periodically brought to the attention of the Board by the management of the unlisted Subsidiaries of the Company.
- d) At least one independent director on the Board shall also be a director on the board of directors of the unlisted Material Subsidiary; provided, for the purpose of this requirement, 'Material Subsidiary' shall mean a Subsidiary, whether incorporated in India or not, whose income or Net Worth exceeds 20% (Twenty Percent) of the consolidated income or Net Worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

7. Corporate Governance requirements with respect to Material Subsidiaries

- a) The Company shall not, without obtaining prior approval of its shareholders by way of a special resolution in a general meeting, dispose-off the shares held in its Material Subsidiary which would reduce its shareholding (either on its own or together with other Subsidiaries) to less than or equal to 50% (Fifty Percent) or cease to exercise control over the Subsidiary;
- b) The Company shall not, without obtaining prior approval of its shareholders by way of a special resolution, sell, dispose and / or lease assets amounting to more than 20% (Twenty Percent) of the assets of the Material Subsidiary on an aggregate basis during a financial year.

However, the requirement to obtain prior approval of Company's shareholders as specified above, shall not be required, where such divestment, sale, 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 Stock Exchanges within 1 (One) day of the resolution plan being approved.

8. Listed subsidiary

If the Company at any time has a listed Subsidiary which is itself a Holding Company, the provisions of Regulation 24 (*Corporate governance requirements with respect to subsidiary of listed entity*) of the Regulations shall also apply to such listed Subsidiary in so far as its Subsidiaries are concerned.

9. Conflict

The Policy shall stand amended in the event of any conflict / repugnancy between the provisions of this Policy and applicable laws and such applicable law shall prevail over this Policy, to the extent of conflict / repugnancy. The part(s) so conflicting / repugnant shall be deemed to be severed from the Policy and the rest of the Policy shall remain in force.

10. Disclosure of the Policy

The Policy shall be posted on the Company's website, under a separate section, and a web link thereto shall be provided under the section on the corporate governance in the Company's annual report.