



## **TCI Finance LIMITED**

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# **POLICY ON MATERIAL SUBSIDIARIES**

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## **1. LEGAL FRAMEWORK**

The new clause under Listing Agreement extends certain principle of corporate governance to material subsidiaries of listed companies.

The Board of Directors of TCI Finance (the "Company") is obliged to formulate a policy for determining "material subsidiaries" to comply with the requirements of Clause 49 of the Listing Agreement for such material subsidiaries.

This Policy will be applicable to the Company effective 1 October 2014.

## **2. DEFINITIONS**

### **1. "Act"**

Act means Companies Act, 2013 & rules made thereunder.

### **2. "Holding Company"**

Holding company in relation to one or more other companies, means a company of which such companies are subsidiaries companies.

### **3. "Subsidiary Company"**

Subsidiary company or subsidiary in relation to any other company (that is to say the holding company), means a company in which the holding company-

- i. Controls the composition of the Board of Directors; or
- ii. Exercises or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies;

#### **Explanation- For the purpose of this definition,-**

- a. A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in clause (i) or (ii) above is of another subsidiary company of the holding company;
- b. The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- c. The expression "company" includes any body corporate;

#### **4. "Material non-listed Indian subsidiary"**

It shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital & free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company & its subsidiaries in the immediately preceding accounting year.

#### **5. "Material Subsidiary"**

A subsidiary shall be considered as material if the investment of the company in the subsidiary exceeds 20% of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated 20% of the consolidated income of the company during the previous financial year.

#### **6. "Significant transaction or arrangement"**

It shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the material unlisted subsidiary for the immediately preceding financial year.

#### **7. "Audit Committee"**

Audit Committee means the committee formed under Section 177 of the Companies Act, 2013.

### **3. GUIDING PRINCIPLES**

"Material subsidiary" of the Company would be identified, which would include, if any:

- ✓ Material listed Indian & foreign subsidiaries
- ✓ Material non listed foreign subsidiary

as one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of Directors of the Company.

**"Material non listed Indian subsidiary"** of the Company would be identified, if any, as one time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of the Company.

### **4. PROVISION WITH REGARD TO SUBSIDIARY COMPANIES**

#### **i. Financial Statements**

The Audit Committee of the company shall also review the financial statements, in particular the investments made by the unlisted subsidiary company

**ii. Minutes**

The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company;

**iii. Significant Transactions**

The management shall periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions & arrangements entered into by the unlisted subsidiary company;

**iv. Owning of Shares**

Subsidiary company shall not either by its own or through its nominees, holds any shares in its holding company & no holding company shall allot or transfer its shares to any of its subsidiary companies & any such allotment or transfer of shares of a company to its subsidiary company shall be void.

Nothing contained in this clause, shall apply to a case:-

- Where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or
- Where the subsidiary company holds such shares as a trustee; or
- Where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company.

**v. Buyback**

The company shall not directly / indirectly purchase its own shares or other specified securities through any subsidiary company including its own subsidiary companies;

**vi. Annual return**

The company shall include particulars of its subsidiary companies in its annual return;

**vii. Salient features of financial statements of Subsidiary/subsidiaries**

The company shall also attach along statement with its financial, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries;

**viii. Accounts of Foreign Subsidiary**

The company shall, along with its financial statements to be filed with Registrar, attach the account of its subsidiary or subsidiaries which have been incorporated outside India & which have not established their place of business in India;

## **5. PROVISIONS WITH REGARD TO MATERIAL NON-LISTED INDIAN SUBSIDIARY & MATERIAL SUBSIDIARY COMPANIES**

At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company;

The company shall not sell, dispose & lease of assets amounting to more than 20% of the assets of the **material subsidiary** on an aggregate basis during a financial year without prior approval of the shareholders by way of passing special resolution in its General Meeting, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by Court/Tribunal.

## **6. GENERAL**

Notwithstanding anything contained in this policy, the Company shall ensure to comply with any additional requirements as may be prescribed under any laws/regulations either existing or arising out of any amendment to such laws/regulations or otherwise and applicable to the Company, from time to time.

## **7. DISCLOSURES**

The Policy for determining material subsidiaries is to be disclosed on the Company's website at [www.tcifl.in](http://www.tcifl.in) and a web link shall be provide in the Annual Report.

## **8. AMENDMENT**

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time.

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