

Spandana Sphoorty Financial Limited

**POLICY ON DETERMINATION OF
MATERIAL SUBSIDIARIES**

Date of Implementation: 14.06.2018

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1. INTRODUCTION

The Board of Directors (the "Board") of Spandana Sphoorty Financial Limited (the "Company"), has adopted this policy for determination of "Material Subsidiaries". This Policy is in accordance with Regulation 16(1)(c) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR)).

2. DEFINITIONS

- a) "**Act**" means Companies Act, 2013 and Rules made thereunder.
- b) "**Audit Committee or Committee**" means Audit Committee constituted by the Board of Directors of the Company under Section 177 of the Companies Act, 2013 and the provisions of SEBI (LODR), from time to time.
- c) "**Board of Directors**" or "**Board**" means the Board of Directors of Spandana Sphoorty Financial Limited, as constituted from time to time.
- d) "**Company**" means Spandana Sphoorty Financial Limited.
- e) "**Control**" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- f) "**Independent Director**" means an Independent Director referred to in Section 149(6) of the Companies Act, 2013, and / or Regulation 16(b) of the SEBI (LODR).
- g) "**Management**" means the Senior Management and Key Managerial Personnel of Spandana Sphoorty Financial Limited.
- h) "**Material Unlisted Indian Subsidiary**" shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid-up capital and free reserves) exceeds 20% of its consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.
- i) "**Policy**" means policy on Material Subsidiary.
- j) "**Significant Transaction or Arrangement**" 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 accounting year.
- k) "**Subsidiary**" means subsidiary company as defined under Section 2(87) of the Companies Act, 2013 and the rules made thereunder.



3. SCOPE & APPLICABILITY

- a) The 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.
- b) In case if a listed holding Company has a listed subsidiary, the policy shall apply to the listed subsidiary in so far as its subsidiaries are concerned.
- c) The Audit Committee shall on an annual basis review such details/ information as may be required to determine the ‘Material’ Subsidiaries.

4. POLICY

- a) At least one Independent director on the Board of Directors of the Company shall be a director on the Board of directors of the Material Unlisted Indian Subsidiary.
- b) The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary on an annual basis.
- c) The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meeting of the Board of Directors of the Company.
- d) The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.
- e) The management shall present to the Audit Committee annually, the list of subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.
- f) The Company shall not without the prior approval of the Shareholders by way of Special resolution:
 - i. Dispose off shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
 - ii. Sell, dispose or lease of assets amounting to more than 20% of the assets of the material subsidiary unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court /Tribunal.



5. DISCLOSURES

This Policy shall be disclosed on the Company's website www.spandanaindia.com and a web link thereto shall be disclosed in the Annual Report of the Company.

6. AMENDMENTS TO THE POLICY

The Board of Directors on its own can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

7. SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and the SEBI (LODR) / the Companies Act, 2013 or any other statutory enactments, rules, the provisions of the SEBI (LODR) / the Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.
