SMFG India Credit Company Limited

Policy on Determining Material Subsidiary

SMFG IndiaCredit
Pragati Ki Nayi Pehchaan

Determining Material Subsidiary

1. Background

The Company being a high value debt listed entity, is required to frame a policy on determining 'material subsidiary'. This Policy will be used to determine the material subsidiaries of the Company as required under Regulation 62 (1A) (h) read with 62L and 16 (1) (c) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

The Policy defines the criteria to be applied for determining 'material subsidiary' and covers the compliances specifically applicable to material subsidiary under the Listing Regulations. Other compliances applicable to a subsidiary (irrespective of material subsidiary or not) is not within the scope of this Policy.

2. Definition

Term used	Definition
SMICC or the Company	SMFG India Credit Company Limited
SMHFC	SMFG India Home Finance Company Limited

3. Scope of the Policy

This section of the Policy covers the following aspects:

- Determination of material subsidiary
- Compliances applicable with respect to material subsidiaries

4. Approval Authority

This Policy has been prepared in accordance with Listing Regulations. The Policy has been approved by the Board of Directors of the Company.

Any change to the Policy shall be done / implemented only with the prior approval of Board of Directors of the Company.

5. Determination of Material Subsidiary

Based on the audited annual consolidated financial statements of the Company and its subsidiaries, a subsidiary of the Company shall be treated as a 'material subsidiary' if:

i. The turnover of such subsidiary exceeds ten per cent of the consolidated turnover of the Company and its subsidiaries in the immediately preceding accounting year; or
ii. The net worth of such subsidiary exceeds ten per cent of the consolidated net worth of the Company and its subsidiaries in the immediately preceding accounting year.

In terms of this Policy, it shall be the responsibility of the Company to ascertain which of its subsidiary companies can be deemed to be a material subsidiary company for the purpose of the Listing

Regulations and ensure adherence to the relevant provisions stated therein. The Company will determine material subsidiary on or before June 30 every year basis audited financial statements of preceding financial year.

As of this Policy's approval, the Company has one material listed subsidiary, SMHFC. .

6. Compliances to be ensured by the Company and material unlisted subsidiaries

i. The Company shall appoint atleast one of its independent directors as a director on the board of directors of unlisted material subsidiary company, whether incorporated in India or not.

   For the purpose of this requirement, an unlisted material subsidiary company shall mean an unlisted subsidiary company, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year. (Regulation 62L (1) of the Listing Regulations).

ii. The Company shall not dispose of shares in its unlisted material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or relinquish the control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved. (Regulation 62L (5) of the Listing Regulations)

iii. Sell, dispose or lease the assets of the unlisted material subsidiary company amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year with passing a special resolution in its General Meeting except in case where such 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved. (Regulation 62L (6) of the Listing Regulations).

   Nothing contained in point (iii) shall be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company.

iv. Material unlisted subsidiaries incorporated in India shall undertake secretarial audit as per Regulation 24A of the Listing Regulations and annex the same in the annual report of the Company. (Regulation 62M read with 24A of the Listing Regulations).

v. The Audit Committee shall also review the financial statements and, in particular, the investments made by the unlisted material subsidiaries. (Regulation 62L (2) of the Listing Regulations)

vi. The minutes of the meetings of the board of directors of the unlisted material subsidiaries shall be placed at the meeting of the board of directors of the Company. (Regulation 62L (3) of the Listing Regulations)

vii. The management of the unlisted material 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 material subsidiary. (Regulation 62L (4) of the Listing Regulations)

The term "significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding financial year.

7. Disclosure

As mandated under the Listing Regulations, the Company shall disclose this Policy on its website and a web link thereto shall be provided in its Annual Report.

8. Policy Review

In case of any subsequent changes in the provisions of the Listing Regulations, the relevant amended provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Board at least once in a year and shall be amended as and when any changes are to be incorporated in the Policy due to change in applicable law /regulations. or as may be felt appropriate.