

Policy for determining Material Subsidiaries

1.1. OBJECTIVE

NFCL has adopted this Policy for determining Material Subsidiaries, as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The Policy for determining Material Subsidiaries may be amended at any time and is subject to

- a) amendments to the Companies Act, 2013
- b) further guidance from the SEBI and
- c) consequential actions taken by the Board of Directors or the Audit Committee of the company

A subsidiary company shall be classified as 'Material' in accordance with the provisions of this Policy.

1.2. DEFINITIONS

Holding Company:

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

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;

Material non-listed Indian subsidiary

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

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.

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.

1.3. OWNER

The Policy for determining Material Subsidiaries was adopted by the Board of Directors on February 13, 2015. Any changes to the Policy for determining Material Subsidiaries must be approved by the Board of Directors.

Questions about the Policy and its application should be directed to the Compliance Officer.

1.4. EFFECTIVE DATE / TRANSITION PERIOD

This Policy is effective October 1, 2014

1.5. GUIDING PRINCIPLES

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

- i. Material listed Indian & foreign subsidiaries
- ii. Material non listed Indian and 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.

1.6. PROVISIONS WITH REGARD TO MATERIAL SUBSIDIARY COMPANIES

- i. 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 and material subsidiary;
- ii. The company shall comply with the requirements of the Companies Act, 2013 and the Listing Agreement entered into with the Stock Exchange in relation to the disposal of shares in the material subsidiary.

1.7 COMPLIANCE BY STEP DOWN SUBSIDIARIES

Where a company has a listed subsidiary which is itself a holding company, this policy shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

1.8 DISCLOSURES

The material subsidiaries policy shall be disclosed on the company's website and a web link thereto shall be provided in the Annual Report.