

POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES**I. BACKGROUND**

SEBI had, vide its notification dated 2nd September, 2015, introduced SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Regulations") replacing the existing provisions of the Listing Agreements.

Pursuant to the aforesaid Regulations, all listed companies are required to implement a 'Policy for determining Material Subsidiaries' (the Policy), framed under Regulation 16 of the said Regulations. This Policy would replace the existing Policy for determining material subsidiaries of the Company (framed under Clause 49 of the Equity Listing Agreement) w.e.f. 1st December, 2015.

II. OBJECTIVE

Gujarat Lease Financing Limited ("the Company") has adopted this Policy on Material Subsidiaries (the "Policy") to set forth the procedure for determination of the Material Subsidiaries and to provide governance framework for such subsidiaries.¹

III. DEFINITIONS & INTERPRETATIONS

In this Policy, unless the context otherwise requires:

- (a) "Act" means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.
- (b) "Audit Committee" shall mean the Audit Committee of the Board of Directors of Gujarat Lease Financing Limited by whatever name called framed under the provisions of Act and Listing Agreement.
- (c) "Board" shall mean the Board of Directors of Gujarat Lease Financing Limited

¹ The Policy has been prepared in accordance with the applicable provisions of Companies Act, 2013 and rules made thereunder and Listing Regulations. Any subsequent amendment/modification in this regards shall automatically apply to this Policy. Further, the compliances mentioned under this Policy shall be in addition to the regular compliances applicable for other subsidiaries of the Company.

- (d) “Independent Director” shall mean a director of the Company who satisfies the criteria laid down under Section 149 of the Companies Act, 2013
- (e) “Material Subsidiary” shall mean a subsidiary whose ~~turnover income~~ or net worth exceeds 20% of the consolidated ~~turnover income~~ or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- (f) “Net worth” shall mean an aggregate of “paid up capital” and “free reserve” of the Company.
- (g) “Subsidiary” shall mean a company shall be considered as Subsidiary if it falls within the criteria defined under Section 2(87) of the Act.
- (h) “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of any of the following:
- (i) total revenues; or
 - (ii) total expenses; or
 - (iii) total assets; or
 - (iv) total liabilities,
- as the case may be, of the Unlisted Material Subsidiary for the immediately preceding accounting year.

Any word used in this policy but not defined herein shall have the same meaning ascribed to it in the Act, SEBI Act or rules and regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company. In case of any dispute or differences between this Policy and provisions of Act / Regulations, the latter shall apply.

IV. DETERMINATION OF MATERIAL SUBSIDIARY

The Company shall, at the end of every quarter, determine whether each of its subsidiary falls under the criteria for Material Subsidiary as defined above. In case any of the Subsidiary falls under such criteria, the same is to be reported to the Board for its noting at the first instance.

V. COMPLIANCES WITH RESPECT TO SUBSIDIARIES

1. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
2. The minutes of the Board meetings of the all the unlisted subsidiary companies shall be placed at the Board Meeting of Company.

VI. COMPLIANCES WITH RESPECT TO MATERIAL SUBSIDIARIES

1. The Company shall not dispose of shares in its 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 cease the exercise of 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.

“Control” for this purpose has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

2. The Company shall not sell, dispose and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year without obtaining prior approval of shareholders by way of special resolution unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal or if such sale, disposal or lease of assets is between two wholly owned subsidiaries of the Company.-

Explanation: For the purposes of (1) and (2) above, a subsidiary shall be considered material if its turnover or net worth exceeds 10% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

3. At least one independent director on the Board of Directors of the company shall be a director on the Board of Directors of a unlisted Material Subsidiary, incorporated in India.

Explanation: For the purpose of (3) above, unlisted subsidiary shall be considered material if its turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year

4. The management of the unlisted subsidiary company shall, every quarter, 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 company.

VII. DISCLOSURES AND AMENDMENT

- (a) Compliance with the requirements of this Policy is to be mentioned in the quarterly compliance report submitted to the Stock Exchanges.
- (b) The Policy shall be disclosed on the website of the Company www.gujaratleasefinancing.co.in and a web link thereto shall be provided in the Annual Report of the Company.
- (c) The Board of Directors or Committee so authorised for the purpose shall have the powers to review or amend any of the provisions of this Policy, substitute any of the provisions with a new provisions or replace this Policy entirely with a new Policy.
- (d) The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

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