



AXIS CAPITAL MARKETS (INDIA) LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

Date of issue: 09th February, 2015



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[Pursuant to Clause 49(V)(D) of Listing Agreement]

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 Axis Capital Markets (India) Limited (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.

AUTHORITY TO DRAFT, AMEND AND IMPLEMENT

The Policy for Material Subsidiary companies shall be laid out by the Audit Committee and approved by the Board of Directors.

DEFINITIONS

“Company”	Means Axis Capital Markets (India) Limited
“Control”	Shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder agreements or voting agreements or in any other manner.
“Material subsidiary”	Is a subsidiary in which: <ul style="list-style-type: none">• Investment by the Company exceeds twenty percent (20%) of the consolidated net worth as per the audited balance sheet of the previous financial year<li style="text-align: center;">OR• If the subsidiary has generated twenty percent (20%) of the consolidated income of the Company during the previous financial year.
“Material Non Listed Indian Subsidiary”	Is an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up share capital and free reserves) exceeds twenty percent (20%) of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.
“Significant Transaction or Arrangement”	Is any individual transaction or arrangement that exceeds or is likely to exceed ten percent (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.



PROVISION WITH REGARD TO SUBSIDIARY COMPANIES

- The Audit Committee of the listed holding company shall also review the financial statements, in particular the investments made by the unlisted subsidiary company;
- The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company;
- 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;
- 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.
- The company shall not directly / indirectly purchase its own shares or other specified securities through any subsidiary company including its own subsidiary companies;
 - The company shall include particulars of its subsidiary companies in its annual return;
 - 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;
 - 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;
 - The company shall place separate audited accounts in respect of each of its subsidiary on its website, if any & shall provide the copy of such audited financial statements to any shareholder of the company, who asks for it.



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 dispose of shares in its **material subsidiary** which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such disinvestment is made under a scheme of arrangement duly approved by a Court/Tribunal;
- 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.

GUIDING PRINCIPLES

- All the applicable provisions of laws, as amended from time to time, shall be complied with in letter and spirit in implementing this Policy.
- "Material Subsidiary" of the Company shall be identified as one time exercise to be done during each Financial Year and the outcome of such exercise shall be placed before the Audit Committee and the Board of Directors of the Company.
- The proposal(s) for disposal of shares and/or selling/disposing/leasing of assets of the Material Subsidiary shall be considered and approved in the following manner:
 - Valuation of the shares/assets of Material Subsidiary shall be done by a Registered Valuer or by an independent merchant banker registered with Securities and Exchange Board of India or by an independent chartered accountant in practice with minimum ten years of experience or as may be permitted by the Central Government.
 - The proposal shall be considered by the Audit Committee and the Board of the Company and the relevant subsidiary and decision shall be taken in terms of the provisions of the clause 49 of the Listing Agreement and Companies Act 2013 and relevant Rule/s, as applicable, and as may be amended from time to time.
 - Where the disposal of the shares or selling/ disposing/leasing of assets of Material Subsidiary are triggering the limits laid down, the proposal after being approved by the Audit Committee and the Board shall be placed before the shareholders of the Company and the relevant subsidiary, as applicable, in a general meeting or through postal ballot in terms of the provisions of the clause 49 of the Listing agreement and the Companies Act, 2013 and relevant Rule/s for seeking approval/s of such shareholders by way of passing special resolution/s, as applicable.



- Only on receipt of the necessary approvals, herein, that the disposal of the shares or selling/ disposing/ leasing of assets of the Material Subsidiary shall be done.
- Necessary reporting shall be done in the Audit Committee and the Board meetings of all the concerned companies.
- Stock Exchanges shall be duly intimated, if and as and when applicable

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.

DISCLOSURES

As prescribed under the revised Clause 49(V)(D) of the Listing Agreement, this Policy shall be disclosed in the Company's website and a web link thereto shall be provided in the Annual Report.

REVIEW OF THE POLICY

This Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

Mr. G. B. Desai
Chairman, Audit Committee