POLICY ON MATERIAL
SUBSIDIARY COMPANIES

OCTOBER 2015

Housing Development Finance Corporation Limited
Regd Office: Ramon House, 169 Backbay Reclamation, Churchgate, Mumbai 400020.
Corp. Office: HUL House, 165-166 Backbay Reclamation, Churchgate, Mumbai 400020.
CIN: L70100MH1977PLC019916
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<th>Approving Authority:</th>
<th>Board of Directors of the Corporation</th>
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<td>October 22, 2014</td>
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<td>Policy Making Body:</td>
<td>Executive Management</td>
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Housing Development Finance Corporation Limited [hereinafter referred to as ‘the Corporation’] is a public limited company incorporated on October 17, 1977, under the Companies Act, 1956 (Corporate Identity Number L70100MH1977PLC019916). It is registered as a Housing Finance Company (HFC) with the National Housing Bank (NHB) under the NHB Act, 1987. The equity shares of the Corporation are listed on BSE Limited and the National Stock Exchange of India Limited and as such the provisions of the Listing Agreements for equity shares are applicable and binding on it.

In terms of Clause 49 V D of the Listing Agreements relating to Corporate Governance, the Corporation is required to formulate and adopt a policy to determine ‘Material Subsidiaries’ setting out the manner in which certain transactions with regard to such material subsidiaries may be conducted. Accordingly, the Board of Directors, at its Meeting held on October 22, 2014 approved and adopted the Corporation’s Policy on Material Subsidiary Companies.

In Clause 49 of the Listing Agreements, compliances relating to material subsidiaries was restricted to unlisted Indian subsidiary companies, *inter alia* requiring the listed holding company to nominate one of its independent directors on the board of its material unlisted Indian subsidiary company.

On September 2, 2015, SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into effect from December 1, 2015. The said regulations are slated to replace the listing obligations and listing requirements as contained in the existing Listing Agreements. In the said Regulations, the definition of a material subsidiary has been amended.

Accordingly, the Board of Directors of the Corporation has formulated and adopted this Policy relating to Material Subsidiary Companies and related compliances stated hereinarer.

The Whole-time Directors of the Corporation shall have the authority to issue such guidance and clarifications as may be deemed necessary for the implementation of this Policy and are authorized to delegate said powers to any of the officer(s) of the Corporation.

This Policy shall deem to have come into effect from December 1, 2015. This Policy may be amended, pursuant to the recommendation of the Whole-time Directors of the Corporation and subject to the approval of the Board of Directors of the Corporation.

All words and expressions used shall have the same meaning as assigned to them in the Companies Act, 2013, Rules framed thereunder and/or Clause 49 of the Listing Agreements, as amended, from time to time.
PART – B

MATERIAL SUBSIDIARY COMPANY

SUBSIDIARY COMPANY:

Section 2(87) of the Companies Act, 2013 defines a “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), as 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:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause,—

(a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) 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;

(d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

CRITERIA FOR DETERMINING THE MATERIAL SUBSIDIARY:

In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a subsidiary company of the Corporation shall be considered as ‘material’, if:-

a. its income exceeds 20% of the consolidated net income of the Corporation and its subsidiary companies in the immediately preceeding accounting year; or

b. its net worth exceeds 20% of the consolidated net income of the Corporation and its subsidiary companies in the immediately preceeding accounting year.
It is further clarified that where a Corporation has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

In terms of this Policy, it shall be the responsibility of the Corporation to ascertain which of its subsidiary companies can be deemed to be a Material Subsidiary Company for the purpose of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and ensure adherence to the relevant provisions stated therein.
PART – C

COMPLIANCES

DIRECTORSHIPS:

The holding company shall appoint any one of its independent directors as a director on the board of unlisted material subsidiary company, incorporated in India.

For the purpose of this requirement, an unlisted material subsidiary company shall mean an unlisted subsidiary company, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Corporation and its subsidiaries in the immediately preceding accounting year. .

Such affirmation shall be obtained be means of a certificate issued by the Statutory Auditor of the Corporation and placed at the next meeting of the Board of Directors for its noting.

The Board shall basis such certification, nominate any of one of its independent directors on the Board of such unlisted material subsidiary company. Details thereof shall be disclosed in the report on corporate governance of the Corporation.

DEALINGS RELATING TO MATERIAL SUBSIDIARY COMPANIES:

In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Corporation is prohibited from executing the following transactions, unless prior approval of its shareholders is obtained by means of a special resolution -

a. dispose the shares held in its material subsidiary company which would reduce its shareholding (either on its own or together with one or more of its other subsidiaries) to less than 50%, except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/ Tribunal; or

b. cease to exercise the control over the material subsidiary company except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/ Tribunal; or

c. sell, dispose or lease the assets of such material subsidiary company amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year except in case where such sale, disposal or lease is made under a scheme of arrangement duly approved by a Court/ Tribunal.
PART – D

GOVERNANCE STRUCTURE

In order to comply with the provisions set out in sub-clauses (a) and (b) of Part C to this Policy, the Corporation shall periodically review and monitor its shareholding in the concerned material subsidiary company.

In order to comply with the provisions set out in sub-clause (c) of Part C to this Policy, the Corporation shall endeavor to periodically call for and review information relating to assets of such material subsidiary company and changes thereof pursuant to any sale or divestment or transfer or alienation of the assets of such material subsidiary company in any manner whatsoever, resulting in reduction of its asset below the aforementioned limits.

The Corporation shall annually obtain a certificate from its Statutory Auditors to assess which of its subsidiary companies can be deemed to be a material subsidiary company for the purpose of this clause and the said certificate shall be placed before the meeting of the Board of Directors of the Corporation for its noting.

All consequential and collateral compliances under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 relating to material subsidiary companies shall be subject to the review and approval of the Board, especially with regard to the matters specified in Part C of this Policy.
PART – E

DISCLOSURES

Appropriate disclosures relating to material subsidiary companies in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be made in the Annual Report and relevant details set out in the explanatory statement to the notice convening the general meetings of the shareholders for seeking their approval, in accordance with the relevant provisions of the Companies Act, 2013 and Rules made thereunder.

As mandated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Corporation shall disclose this Policy on Material Subsidiary Companies on its website i.e. www.hdfc.com and a web link shall be provided in its Annual Report.