POLICY FOR DETERMINING

MATERIAL SUBSIDIARIES

RICO AUTO INDUSTRIES LIMITED

Policy for Determining Material Subsidiary

1. Background

The Board of Directors ('the Board') of Rico Auto Industries Limited (the"Company") has adopted the following policy and procedures with regards to determination of material subsidiary(ies). The Board may review and amend this Policy from time to time.

2. Scope & Purpose

Determination of Material Listed or Non-Listed Indian or Foreign Subsidiaries of the Rico Auto Industries Limited (hereinafter referred to as the **"Company"**), where applicable, and complying with disclosures/other requirements regarding such Subsidiaries and disinvestment of their shares held by the Company, and, selling/ disposing/leasing of assets of such Subsidiaries by them.

In term of Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("The Listing Regulations") the Company is required to formulate a policy for determination of "Material Subsidiaries. Accordingly, the Board of the Directors of the Company had initially approved and adopted the "Policy for Determining Material Subsidiary" ("Policy") of the Company.

Pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, this Policy is being revised to ensure conformity with the above amendments. Accordingly, the Board of Directors has approved and adopted this revised policy.

3. Definitions

"Audit Committee" means the committee constituted by the Board of Directors of the Company, from time to time, in accordance with section 177 of the Companies Act 2013 and Regulation 18 of the Listing Regulations.

Subsidiary

"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[1] the composition of the Board of Directors; or
(ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its Subsidiary Companies.

However, some clarification is relevant here:

- A Company shall be deemed to be a Subsidiary Company of the Holding Company even if the control (as stated above) is of another Subsidiary Company of the Holding Company.

[1] The term "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 shareholders agreements or voting agreements or in any other manner {The Companies (Specifications of Definitions Details) Rules 2104}

- The composition of a Company's Board of Directors shall be deemed to be controlled by another Company if that other Company can appoint or remove all or a majority of the Directors.
- For the purpose of this definition, "Company" includes any body Corporate.

Material Subsidiary

A Material Subsidiary means a Subsidiary, whose income or net worth exceeds 10% (ten percent) of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

Material Unlisted Subsidiary

The term shall mean an Unlisted Subsidiary, incorporated in India or Overseas, whose income or net worth (i.e. paid-up capital and free reserves) exceeds 10% (Ten Percent) of the consolidated income or net worth respectively, of the Listed Holding Company and its Subsidiaries in the immediately preceding accounting year.

Independent Director means a Director of the Company, not being a Whole Time Director and who is neither a Promoter nor belongs to the Promoter Group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the Listing Regulations.

Policy means this Policy for determining 'Material' Subsidiaries.

Any words not defined in this policy shall have the same meanings as defined in the Companies Act, 2013, rules framed thereunder and the Listing Regulations.

Listing Regulations – As defined under SEBI (Listing obligations and Disclosure Requirements) Regulations 2015.

4. Guiding Principles

i) **Material Subsidiary** of the Company would be identified, which would include thefollowing, if any:

- Material Listed Indian & Foreign Subsidiaries
- Material Unlisted Listed Indian & Foreign Subsidiaries

as one time exercise and such exercise shall be done during each financial year and the conclusion shall be placed before the Audit Committee and the Board of Directors of the Company.

ii) **Material Unlisted or Listed Indian Subsidiary** of the Company would be identified, if any, as one time exercise and such exercise shall be done during each financial year and the conclusion shall be placed before the Audit Committee and the Board of the Company.

iii) **Restriction on disposal of its assets by Material Subsidiary**

Selling, disposing and leasing of assets amounting to more than 20% (Twenty percent) of the assets of the Material Subsidiary shall require 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 under a resolution plan duly approved under section 31 of the Insolvency Code and suchan event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

iv) **Restriction on disposal of shares of Material Subsidiary by the Company**

No Company shall 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% (Fifty Percent) 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 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.

Disclosures/Other Requirements

As per Regulation 24 of the Listing Regulations:

i) The policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

ii) At least one Independent Director on the Board of Directors of the Holding Company shall be a Director on the Board of Directors of an Unlisted Material Subsidiary Company, whether incorporated in India or Overseas.

For the purposes of this provision, the term “Material Subsidiary” shall mean a Subsidiary, whose income or net worth exceeds 20% (Twenty percent) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

iii) The Audit Committee of the Listed Holding Company shall also review the financial statements, in particular, the investments made by the Unlisted Subsidiary Company on an annual basis.

iv) 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 of Unlisted Subsidiary Company should bring to the attention of the Board of Directors of the Listed Holding Company, a statement of all significant transactions and arrangements[2] entered into by the Unlisted Subsidiary Company on quarterly basis.

v) The Company and its Material Unlisted Subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a Company Secretary in practice.

Compliance by Step down Subsidiaries

Where the 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.

5. Non-Compliance

Non-compliance of the relevant provisions of the Act, read together with the Rules and the Regulations will attract the penal provisions as per the respective laws.

6. General

Review and Amendment:

a) Review

The Managing Director of the Company may review or amend this policy on behalf of the Board of Directors, in whole or in part, from time to time as per the requirement of the Act or any other statute, which will be placed before the Board of Directors for their noting.

Where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy and procedures until such time this Policy is amended to conform to the applicable law, rule, regulation or standard.

b) Disclosure of the Policy

This policy will be uploaded on the Company's website.