

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. INTRODUCTION:

This Policy deals with determination of Material Subsidiaries of **RITES Limited (the Company)** in terms of Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) which states that the Company shall formulate a Policy for determining Material Subsidiaries and such Policy shall be disclosed on the Company's website and web-link to be provided in the Annual Report of the Company.

2. DEFINITION:

“Audit Committee or Committee” means Audit Committee constituted by the Board of Directors of the Company, from time to time, under provisions of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.

“Board of Directors” or “Board” means the Board of Directors of **the Company** as constituted from time to time and as defined in Section 2(10) of the Companies Act, 2013.

“Company” means RITES Limited.

“Independent Director” means a director of the Company, as defined in Section 2 (47) of the Companies Act, 2013 and Regulation 16 (b) of the Listing Regulations.

“Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Policy” means Policy on Material Subsidiary.

“Significant Transaction or Arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenue or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year, as defined in Regulation 24(4) of the Listing Regulation.

“Subsidiary Company” means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

3. POLICY:

CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY

A material subsidiary shall mean a subsidiary:

Whose income OR net worth exceeds 10% of the consolidated income of the company and its subsidiaries in the immediately preceding accounting year.

4. APPLICABLE COMPLIANCE – MATERIAL SUBSIDIARY

One Independent Director on the Board of the Company shall be a Director on the Board of the unlisted material subsidiary Company(ies), whether incorporated in India or not.

Explanation- For the purposes of this provision, notwithstanding anything to the contrary contained in Regulation 16, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the company and its subsidiaries in the immediately preceding accounting year.

The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company(ies) on an annual basis.

The Minutes of the Board Meetings of the Unlisted Subsidiary Company(ies) shall be placed before the Board of the Company on periodical basis.

The management of unlisted subsidiary Company(ies) shall on periodical basis bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary Company(ies).

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 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.

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 which 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.