

POLICY ON MATERIAL SUBSIDIARIES

1. Introduction

This Policy was initially adopted by the Board pursuant to the provisions of the Listing Agreement entered into with the stock exchanges and was effective from October 01, 2014.

This Policy is in terms of Regulation 16 (c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The Board of Directors (the "Board") of R Systems International Limited has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below. The Board may review and amend this policy from time to time.

This Policy will be applicable to the Company effective April 01, 2019.

2. Policy Objective

To determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

3. DEFINITIONS

(a) Audit Committee or Committee means "Audit Committee" constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Regulations and The Companies Act, 2013.

(b) Board of Director or Board means the Board of Directors of R Systems International Limited, as constituted from time to time.

(c) Company means R Systems International Limited unless the context otherwise provide.

(d) Independent Director means a director of the Company, not being a whole time director of the Company and who satisfies the criteria for an Independent Director under the Companies Act, 2013 and the Listing Regulations.

(e) Material Subsidiary means a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

(f) Policy means Policy on Material Subsidiary.

(g) Unlisted Material Subsidiary shall mean a Material Subsidiary, whether incorporated in India or not and is not listed on the Indian Stock Exchanges.

(h) Significant Transaction or Arrangement shall mean any individual transaction or arrangement that exceeds or is likely to exceed 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.

(i) Subsidiary shall be as defined under the Companies Act, 2013 and the Rules made thereunder.

3. Criteria for determining Material Subsidiary

A subsidiary shall be regarded as material Subsidiary for the financial year if it falls under the definition provided in clause of this policy.

The Audit Committee shall review on annual basis such information/ details as may be required to determine the Material Subsidiaries of the Company.

Governance Framework

1. One Independent Director of the Company shall be a director on the Board of the unlisted material subsidiary. The Audit Committee shall recommendation for appointment of Independent Director of the Company in the Material Subsidiary.

For the purposes of this provision, notwithstanding anything to the contrary contained in this policy, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

2. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on quarterly basis.
3. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company on quarterly basis.
4. The management shall on a quarterly 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.
5. All material subsidiaries of the Company, 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, in such form as may be specified.

5. Disposal of Material Subsidiary

In Compliance with the provision of the Listing Regulations, as amended from time to time, the Company, without the prior approval of the members by Special Resolution, shall not:

- a. dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- b. ceases the exercise of control over the Subsidiary; or
- c. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year.

6. Disclosures

The Policy for determining material subsidiaries is to be uploaded on the website of the Company at www.rsystems.com.

7. Amendments

This Policy may be amended by the Board from time to time to be in line with any amendments made to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Act and such other guidelines issued by SEBI.