



ASSET RECONSTRUCTION COMPANY (INDIA) LIMITED

POLICY ON DETERMINING MATERIAL SUBSIDIARIES

(Approved in Board Meeting held on June 14, 2025)

Finance & Budgeting Group

POLICY ON DETERMINING MATERIAL SUBSIDIARIES

1. Preamble, Objective and Scope

The Board of Directors of Asset Reconstruction Company (India) Limited has, in pursuance of the provisions of Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, ("Listing Regulations") and other applicable provisions (including any statutory modification(s) or enactment(s) thereof), adopted this Policy (as defined below) for laying down a criterion for determining Material Subsidiaries (as defined below) of the Company. Further, Regulation 24 of the Listing Regulations extends certain principles of corporate governance to Material Subsidiaries of the listed companies.

This Policy is intended to augment and work in conjunction with regulatory provisions and other policies of the Company.

2. Definitions

- a. **"Act"** shall mean the Companies Act, 2013 including the rules made thereunder, as amended from time to time.
- b. **"Audit Committee"** means the committee constituted by the Board of Directors of the Company in accordance with the provisions of Section 177 of the Act and Regulation 18 of the Listing Regulations.
- c. **"Board"** or **"Board of Directors"** means the Board of Directors of the Company.
- d. **"Company"** shall mean Asset Reconstruction Company (India) Limited
- e. **"Control"** shall have the same meaning as assigned to it under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time.
- f. **"Independent Director"** shall mean an independent director of the Company as per the provisions of the Act and the Listing Regulations.
- g. **"Insolvency Code"** shall mean the Insolvency and Bankruptcy Code, 2016 and the rules and regulations framed thereunder, as amended from time to time.
- h. **"Material Subsidiary"** means a Subsidiary of the Company, whose turnover or net worth exceeds 10% (ten per cent) of the consolidated turnover or net worth

respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

- i. **“Material Unlisted Indian Subsidiary”** means a Material Subsidiary which is incorporated in India and is not listed on any recognized Indian stock exchange(s).
- j. **“Nomination and Remuneration Committee”** means the committee constituted by the Board of Directors of the Company in accordance with section 178 of the Act and Regulation 19 of the Listing Regulations.
- k. **“Policy”** means this Policy for determining Material Subsidiaries, as amended from time to time.
- l. **“Significant Transactions or Arrangements”** shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% (ten per cent) of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted Subsidiary for the immediately preceding accounting year.
- m. **“Subsidiary”** shall have the same meaning as assigned to it under section 2(87) of the Act.
- n. **“Unlisted Subsidiary”** shall mean a Subsidiary of the Company whose shares or securities are not listed on any recognized stock exchange.

3. Interpretation

The words and expressions used in this Policy unless defined herein shall have the meaning assigned to them in the Act, Listing Regulations and such other act, laws, rules or regulations along with any statutory modification(s) or re-enactment(s) thereof, as the case may be. If due to any reason, any provisions(s)/ clause(s) of this Policy is rendered unlawful or unenforceable, then the Policy shall be read as excluding that provision(s)/ clause(s). All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires.

4. Criteria for determining the Material Subsidiaries

A Subsidiary of the Company shall be regarded as a Material Subsidiary for the financial year if it falls under the definition provided in clause 2(h) of this Policy. The Audit Committee of the Company shall review on an annual basis such details/ information as may be required to determine the ‘Material Subsidiaries’. The entities disclosed as subsidiaries in the Audited Financial Statements are in the nature of trusts

set up by our Company for the purposes of acquisition and securitization of financial assets. These entities have been identified as subsidiaries for accounting purposes, in accordance with applicable accounting standards and do not qualify as subsidiaries as per the definition under the Companies Act, 2013.

5. Governance of Subsidiaries

On the recommendation of the Nomination and Remuneration Committee of the Company, at least one Independent Director of the Company shall be appointed on the board of the unlisted material subsidiary, whether incorporated in India or not.

Explanation: For the purpose of this clause, notwithstanding anything to the contrary contained in clause 3(h), the term “material subsidiary” shall mean a Subsidiary whose income or net worth exceeds 10% (ten per cent) of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year. The entities disclosed as subsidiaries in the Audited Financial Statements are in the nature of trusts set up by our Company for the purposes of acquisition and securitization of financial assets. These entities have been identified as subsidiaries for accounting purposes, in accordance with applicable accounting standards and do not qualify as subsidiaries as per the definition under the Companies Act, 2013.

The Audit Committee of the Company shall review the financial statements of each unlisted Subsidiary (including each Material Subsidiary), in particular, the investments made by such unlisted Subsidiary on a regular basis.

The minutes of the board meetings of each unlisted Subsidiary shall be placed at the meeting of the board of directors of the listed Company.

A statement of all Significant Transactions or Arrangements entered into by each unlisted Subsidiary shall be periodically placed before the Board of the Company by the management of the Unlisted Subsidiaries.

6. Disposal of shares or assets of Material Subsidiary

Disposal of shares of a Material Subsidiary by the Company which would reduce its shareholding (either on its own or together with other Subsidiaries) to less than or equal to 50% (fifty per cent) of the share capital of the Material Subsidiary or cease the exercise of Control over such Material Subsidiary shall require prior approval of shareholders of the Company by way of a special resolution. The approval of shareholders shall not be required in cases where such divestment is made pursuant to:

- (a) a scheme of arrangement duly approved by a Court/ Tribunal; or
- (b) 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.

Selling, disposing and leasing of assets amounting to more than 20% (twenty per cent) of the assets of a Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of a special resolution, unless the sale/disposal/lease is made pursuant to:

- (a) a scheme of arrangement duly approved by a Court/ Tribunal; or
- (b) 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.

7. Secretarial Audit

The Company and its Material Unlisted Indian Subsidiaries shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice. The applicability will be restricted to the material subsidiaries, as identified under SEBI LODR and for trusts set up by our Company for the purposes of acquisition and securitization of financial assets.

8. Disclosures by the Company

This Policy shall be uploaded on the website of the Company and the web link thereto shall be provided in the annual report of the Company. Further, the audited financial statements of each Subsidiary of the Company, including Material Subsidiaries, in respect of a relevant financial year, shall also be uploaded on the website of the Company at least 21 (twenty one) days prior to the date of annual general meeting which has been called to inter alia consider the accounts of that financial year.

9. General Limitations

In the event of any conflict between this Policy and any regulatory provision(s), including without limitation the applicable provisions of the Act and the Listing Regulations, such regulatory provision(s) shall prevail over this Policy.

10. Review and Amendments to the Policy

The Policy may be amended or substituted by the Board as and when required or when there are statutory changes necessitating the change in the Policy. This Policy shall be reviewed by the Board on an annual basis. Any deviation from the policy shall be approved by the Board of Directors.