

RICO AUTO INDUSTRIES LIMITED

CIN : L34300HR1983PLC023187

Regd. Office: 69 KM Stone, Delhi-Jaipur Highway, Dharuhera, Distt. Rewari - 122106, Haryana
Corp. Office: 38 KM Stone, Delhi-Jaipur Highway, Gurgaon - 122001, Haryana
Tel: +91 124 2824000, Fax: +91 124 2824200, E-mail: cs@ricoauto.in, Website: www.ricoauto.com

POSTAL BALLOT NOTICE

[Pursuant to Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014]

VOTING STARTS ON : 10-02-2015

VOTING ENDS ON : 11-03-2015

To the Member(s) of Rico Auto Industries Limited,

Notice is hereby given pursuant to Section 110 and other applicable provisions of the Companies Act, 2013 (the "Act"), if any, read together with the Companies (Management and Administration) Rules, 2014 including any statutory modification or re-enactment thereof for the time being in force, that the Company is seeking consent of its Members for the resolutions appended below by way of Postal Ballot which includes voting by electronic means. The Explanatory Statement setting out all material facts and reasons thereto pertaining to the resolutions mentioned in this notice is annexed to this Postal Ballot Notice along with Postal Ballot Form (the "Form") for your consideration. The Board of Directors (the "Board") in their meeting held on Thursday, 29th January, 2015 have appointed Shri K.K. Sachdeva, Practicing Company Secretary (CP No.4721, FCS No.7153), as Scrutinizer for conducting the Postal Ballot and e-voting process in a fair and transparent manner.

Members desiring to exercise their vote by postal ballot are requested to carefully read the instructions printed in the Form and return the same duly completed in the enclosed self-addressed Business Reply Envelope. Postage will be borne and paid by the Company. Form(s), if sent by courier or by registered post/speed post at the expense of the Member(s) will also be accepted. The Form(s) may also be deposited personally at the address given on the self-addressed Business Reply Envelope. The duly completed Form(s) should reach the Scrutinizer not later than 5:00 P.M. on Wednesday, 11th March, 2015 to be eligible for being considered, failing which, it will be strictly considered that no reply has been received from the Member.

Members desiring to opt for e-voting as per the facilities arranged by the Company are requested to read the instructions in the Notes under the section 'Voting through Electronic Means'.

The Scrutinizer will submit his report to the Chairman after completion of the scrutiny of the votes cast through Postal Ballot and E-voting. The result of the Postal Ballot would be announced by the Chairman or any other official authorized by the Chairman at 11:00 A.M. on Saturday, 14th March, 2015 at the Registered Office of the Company. The said result would be displayed at the Registered Office of the Company, intimated to the Stock Exchanges where the Company's shares are listed, the Depository, and the Registrar and Share Transfer Agent and would be published in the newspapers and would also be displayed along with the Scrutinizer's report on the Company's website viz. www.ricoauto.com.

The members are requested to consider the following resolutions:

SPECIAL BUSINESS:

ITEM NO. 1

To consider and if thought fit, to give assent or dissent to the following Resolution as a Special Resolution:

SALE OF INVESTMENT HELD BY THE COMPANY

"RESOLVED THAT pursuant to the provisions of Sections 188(1) of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 and Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and all other applicable provisions, if any, of the Companies Act, 2013 and the Listing Agreement executed with the Stock Exchanges (including any statutory modification or re-enactment thereof, for the time being in force), the relevant provisions of Memorandum and Articles of Association of the Company and subject to such other approvals, sanctions as may be required from other authorities under any laws or regulations or guidelines and subject to such terms, conditions, alterations and modifications, if any, as may be specified by such other authorities while according the approval or sanction, wherever applicable and

which may be agreed by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall unless repugnant to the context or meaning thereof, be deemed to include a duly constituted committee thereof and any person authorized by the Board in this behalf), consent, authority and approval of the members of the Company be and is hereby accorded to the Board to sell the equity shares held by the Company in the following subsidiary companies ("Subject Companies")(hereinafter collectively referred to as "Investments") to its another subsidiary company i.e. Rico Investments Limited (CIN: U65923HR2015PLC054211), for consideration as mentioned below on such terms and conditions as may be decided by the Board, effective from such date, as the Board may deem appropriate in the best interest of the Company:

S. No.	Name of the Subsidiaries (Subject Companies)	No. of Equity Shares of Face Value Rs.10/- each	Amount of Consideration (Rs. in Crores)
1.	Rico Jinfei Wheels Limited (CIN:U34200HR2007PLC037021) having its Registered Office at 38 KM Stone, Delhi-Jaipur Highway, Gurgaon-122001 Haryana	3,05,25,000	1.04
2.	Rasa Autocom Limited (CIN:U74120HR2007PLC037192) having its Registered Office at 38 KM Stone, Delhi-Jaipur Highway, Gurgaon-122001 Haryana	2,00,00,000	0.46
3.	RAA Autocom Limited (CIN:U34300HR2008PLC037956) having its Registered Office at 38 KM Stone, Delhi-Jaipur Highway, Gurgaon-122001 Haryana	50,000	0.003

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do and perform all such acts, matters, deeds and things, including finalizing and varying the terms and conditions, methods and modes to sell Investments, finalizing and executing, delivering and performing necessary documents including agreements, forms, deeds of assignments, conveyance and such other documents/agreements, as may be deemed necessary or expedient by the Board in its absolute discretion to be in the best interest of the Company in order to give effect to above resolution and to settle any question and difficulty that may arise in this regard and incidental thereto, without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their consent, authority and approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred by this resolution, to any Director(s) or to any Committee of Directors or any other Officer(s)/Authorised Representative(s) of the Company to give effect to this resolution."

ITEM NO. 2

To consider and if thought fit, to give assent or dissent to the following Resolution as a Special Resolution:

SALE OF DIVISIONS OF THE COMPANY

“RESOLVED THAT pursuant to the provisions of Sections 180(1)(a), 188(1) of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 and Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as applicable, and all other relevant provisions, if any, of the Companies Act, 2013 and the Listing Agreement executed with the Stock Exchanges (including any statutory modification or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company and subject to such other approvals, sanctions as may be required from other authorities under any laws or regulations or guidelines and subject to such terms, conditions, alterations and modifications, if any, as may be specified by such other authorities while according the approval or sanction, wherever applicable, and which may be agreed by the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall unless repugnant to the context or meaning thereof, be deemed to include a duly constituted committee thereof and any person authorized by the Board in this behalf), consent, authority and approval of the members of the Company be and is hereby accorded to the Board to sell to RAA Autocom Limited (CIN:U34300HR2008PLC037956) (at present, subsidiary of the Company), the following businesses of the Company, as a ‘going concern’ by way of slump sale for lump sum negotiated consideration as set out below (which may be subject to minor deviation arising on account of variation in net working capital of such businesses) and on such terms and conditions as may be decided by the Board effective from such date, as the Board may deem appropriate in the best interest of the Company:

S. No.	Business/Undertaking	Amount of lump sum agreed consideration (Rs. in Crores)
1.	Business of manufacturing of ferrous based auto components located at: (a) 38 KM Stone, Delhi–Jaipur Highway, Gurgaon–122001, Haryana; and (b) Plot No.84, Sector–8, IMT Manesar, Gurgaon, Haryana comprising of assets, plant and machineries, inventories, contracts, employees, purchase orders, suppliers, liabilities, concerned licenses, permits, consents, approvals in relation thereto, rights and obligations attached thereto, in whole or in part, as may be determined by the Board in its sole discretion but excluding land and building (“Ferrous Undertaking”).	39.59
2.	Business of manufacturing of aluminium based auto components located at: Plot No.D2, Tata Motors Vendor Park Village Sanand, P.O. Viroch Nagar Ahmedabad–382170, Gujarat comprising of assets, plant and machineries, inventories, contracts, employees, purchase orders, suppliers, liabilities, concerned licenses, permits, consents, approvals in relation thereto, rights and obligations attached thereto, in whole or in part, as may be determined by the Board in its sole discretion but excluding land and building (“Non - Ferrous Undertaking”).	4.81

“RESOLVED FURTHER THAT the Board be and is hereby authorized to do and perform all such acts, matters, deeds and things, including finalizing and varying the terms and conditions, methods and modes to sell Ferrous Undertaking and Non-Ferrous Undertaking, finalizing and executing, delivering and performing necessary documents including business purchase agreements, contracts, forms, deeds of assignments, conveyance and such other documents/agreements, as may be deemed necessary or expedient by the Board in its absolute discretion to be in the best interest of the Company in order to give effect to above resolution and to settle any question and difficulty that may arise in this regard and incidental thereto, without being required to seek any

further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their consent, authority and approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred by this resolution, to any Director(s) or to any Committee of Directors or any other Officer(s) / Authorised Representative(s) of the Company to give effect to this resolution.”

ITEM NO. 3

To consider and if thought fit, to give assent or dissent to the following Resolution as a Special Resolution:

RE-APPOINTMENT OF SHRI ARVIND KAPUR (DIN: 00096308) AS CHAIRMAN, CEO & MANAGING DIRECTOR AND PAYMENT OF REMUNERATION

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of Central Government and other statutory approvals, if any, approval of the Members of the Company be and is hereby accorded to the re-appointment of Shri Arvind Kapur (DIN: 00096308) as Chairman, CEO & Managing Director of the Company for a further period of five years w.e.f. 17th December, 2014.”

“RESOLVED FURTHER THAT subject to approval of the Central Government, Shri Arvind Kapur, Chairman, CEO & Managing Director be paid following remuneration effective from 17th December, 2014 for a period of three years (i.e. 17/12/2014 to 16/12/2017):

- Salary : Rs.200 Lacs Per Annum
- Perquisite and Allowances : Rs.50 Lacs Per Annum

The perquisites and allowances payable shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and/or allowance for utilisation of gas, electricity, water, furnishing and repairs; medical reimbursement and leave travel concession for self and family including dependents; club fees, medical insurance and personal accident insurance and such other perquisites and/or allowances as may be determined from time to time up to the amounts specified above.

The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder (including any statutory modification (s) or re-enactment thereof, for the time being in force). However, the Company’s Contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961, Gratuity, if payable, under the Company’s rules shall not exceed half a month’s salary for each completed year of service, Earned Leave and its Encashment on full pay and allowances as per the rules of the Company, but not exceeding one month’s leave for every eleven months of service. Provision of car with driver for use on Company’s business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

Ceiling on Remuneration: The aggregate remuneration shall not exceed the limits provided in Section 197 of the Companies Act, 2013 except with the previous approval of the Central Government.

Pursuant to Sub-paragraph A of Section II of Part II of Schedule V and other applicable provisions of the Companies Act, 2013, if any, and subject to such approvals as may be necessary, wherein, in any financial year during the tenure of his service, the Company has no profits or its profits are inadequate, the Company may pay to Shri Arvind Kapur, Chairman, CEO & Managing Director remuneration by way of salary, perquisites and other benefits as mentioned above as minimum remuneration or such other limits as may be approved by the Central Government from time to time in this regard.

- Commission: Commission shall be paid over and above the total remuneration based on net profits of the Company in a particular year, which put together with salary and perquisites shall be subject to the overall ceiling specified in Section 197 and Section I of Part II of Schedule V of the Companies Act, 2013.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, expedient or desirable including seeking approvals of the Government and/or other authorities as may be applicable and to settle any question that may arise in relation thereto, in order to give effect to this resolution.”

By Order of the Board
for **Rico Auto Industries Limited**

Place: Gurgaon
Dated: 29th January, 2015

B.M. Jhamb
Company Secretary
FCS No.2446

NOTES:

1. The Explanatory Statement and reasons for the aforesaid Special Resolutions pursuant to Section 102 of the Companies Act, 2013 setting out all material facts are appended to the Postal Ballot Notice.
2. The Postal Ballot Notice is being sent to the Members whose names appear on the Register of Members/List of Beneficial Owners as received from the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on the close of business hours on Friday, 23rd January, 2015. Accordingly, the Members whose names appear on the Register of Members/List of Beneficial Owners as received from NSDL and CDSL as on Friday, 23rd January, 2015 will be considered for the purpose of voting.
3. In accordance with the provisions of Section 101 and other applicable provisions of the Companies Act, 2013, read with Rules 18 and 22 of the Companies (Management and Administration) Rules, 2014, the Postal Ballot Notice is being sent to Members in electronic form to the email addresses registered with their Depository Participants (in case of electronic shareholding)/the Company's Registrar and Share Transfer Agent. For Members who have not registered their e-mail addresses will receive Postal Ballot Notice along with Form and self-addressed Business Reply Envelope through Registered Post. Members who have received Postal Ballot Notice by e-mail and who wish to vote through physical Form may download the Form from the link www.evoting.nsdl.com (NSDL Link) or from the Company's website www.ricoauto.com.
4. In compliance with Clause 35B of the Listing Agreement and Sections 108, 110 and other applicable provisions of the Companies Act, 2013, read with the related rules, the Company is pleased to provide e-voting facility to all its Members, to enable them to cast their votes electronically instead of dispatching the physical Form by post. The Company has engaged the services of National Securities Depository Limited (NSDL) for the purpose of providing e-voting facility to all its Members. Please note that e-voting is an alternate mode to cast votes and is optional.
5. The voting rights of Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on cut-off date i.e. Friday, 23rd January, 2015.
6. Kindly note that the Shareholders can opt only one mode of voting, i.e., either by Physical Ballot or e-voting. If you are opting for e-voting, then please do not vote by Physical Ballot also and vice versa. However, in case Shareholders cast their vote by Physical Ballot and e-voting, then voting done through valid Physical Ballot shall prevail and voting done by e-voting will be treated as cancelled.
7. Shri K.K. Sachdeva, a Practicing Company Secretary (CP No.4721, FCS No.7153), has been appointed as Scrutinizer to conduct the Postal Ballot and e-voting process in a fair and transparent manner.
8. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
9. The Scrutinizer's decision on the validity of the postal ballot shall be final.
10. The Scrutinizer will submit his report to the Chairman after completion of the scrutiny of the votes cast through Postal Ballot and E-voting. The result of the Postal Ballot would be announced by the Chairman or any other official authorized by the Chairman at 11:00 A.M. on Saturday, 14th March, 2015 at the Registered Office of the Company. The said result would be displayed at the Registered Office of the Company, intimated

to the Stock Exchanges where the Company's shares are listed, the Depository, and the Registrar and Share Transfer Agent and would be published in the newspapers and would also be displayed along with the Scrutinizer's report on the Company's website viz. www.ricoauto.com.

11. The date of declaration of results of the postal ballot shall be the date on which the resolutions would be deemed to have been passed, if approved by the requisite majority.
12. All the relevant documents referred in the explanatory statement will be available for inspection at the registered office of the Company during office hours on all working days (except Sundays and Public holidays) upto the date of announcement of result of Postal Ballot.
13. **Voting through electronic means (e-voting)**
 - A. In case a Member receives an e-mail from NSDL:
 - i. Open the e-mail and also open attached PDF file "e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - ii. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>.
 - iii. Click on Shareholder - Login.
 - iv. If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
 - v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
 - vi. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
 - vii. Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
 - viii. Select "EVEN" (E-Voting Event Number) of Rico Auto Industries Limited. Now you are ready for e-voting as Cast Vote page opens.
 - ix. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - x. Upon confirmation, the message "Vote cast successfully" will be displayed.
 - xi. Once the vote on the resolution is cast, you will not be allowed to change it subsequently.
 - xii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to kks445@gmail.com, with a copy marked to evoting@nsdl.co.in.
 - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at downloads section of www.evoting.nsdl.com.
 - xiv. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot Password' option available on the site to reset the password.
 - B. In case a Member receives physical copy of the Notice of Postal Ballot (for Members whose email addresses are not registered with the Company/Depositories):
 - i. Initial password is provided in the enclosed Particulars of E-voting: EVEN (E-Voting Event Number), user ID and password.
 - ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xiii) above, to cast your vote electronically.

- C. The e-voting period commences on Tuesday, 10th February, 2015 (9.00 A.M.) and ends on Wednesday, 11th March, 2015 (5.00 P.M.). During this period, Members of the Company may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast, Member shall not be allowed to change it subsequently.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

ITEM NO. 1

The Board of your Company with a strategic view of restructuring the business operations of the Company has formed a subsidiary company namely Rico Investments Limited, wherein a strategic partner is proposed to be inducted with initial participation to the extent of ten percent in the paid up equity share capital of Rico Investments Limited. It is further proposed to sell the Investments (as defined in resolution no. 01 *supra* of the notice) held by the Company in the Subject Companies (as defined in the resolution no. 01 of the notice) to Rico Investments Limited at fair values and consequently the ownership and control of the Subject Companies will vest with Rico Investments Limited. Consequent to sale of Investments held by the Company, the losses arising therefrom would be recorded by the Company in its books of account in the year of transfer of such Investments. Your management feels that it would be appropriate to record the losses in order to give a true and fair view of the financial position of the Company.

Your management is of the opinion that Rico Investments Limited shall have the benefit of having expert advice from a strategic partner, whose expertise and experience could be of assistance to the Subject Companies, which should therefore benefit the business interests of the Subject Companies. By doing so, the Company will be able to focus on its other businesses more aggressively.

Further, consequent to sale of Investments held by Company to Rico Investments Limited, the Subject Companies will become step down subsidiaries of the Company.

The sale consideration of equity shares of such Subject Companies has been arrived at on the basis of Valuation Report obtained from an independent valuer and the Fairness Opinion Report provided by a merchant banker. The said consideration has been approved by the Audit Committee and the Board in their respective meetings both held on 29th January, 2015.

The particulars of transactions pursuant to Para 3 of the Explanation to sub rule 3 of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 are as under:

- | | | |
|--|---|--|
| 1. Name of related party | : | Rico Investments Limited |
| 2. Nature of relationship | : | Subsidiary of the Company |
| 3. Material Terms, Monetary Value and particulars of the Agreement | : | <p>(i) Memorandum of Understanding for sale of equity shares of the Subject Companies shall be entered into by and between the parties.</p> <p>(ii) The consideration for sale of equity shares of Subject Companies to Rico Investments Limited shall be as under which shall be paid in cash by Rico Investments Limited to the Company:</p> <p>a) Rico Jinfei Wheels Limited:
3,05,25,000 equity shares
@ Re.0.34 per equity share
amounting to Rs.1,04,00,000/-
(Rupees One Crore Four Lacs only).</p> <p>b) Rasa Autocom Limited:
2,00,00,000 equity shares
@ Re.0.23 per equity share
amounting to Rs.46,00,000/-
(Rupees Forty Six Lacs only).</p> <p>c) RAA Autocom Limited:
50,000 equity shares
@ Re.0.60 per equity share
amounting to Rs.30,000/-
(Rupees Thirty Thousand only).</p> |

The sale of equity shares held by the Company in Subject Companies to Rico Investments Limited is a related party transaction as envisaged under the Section 188 of the Companies Act, 2013 and the rules made thereunder and, therefore, requires the approval of the Members by way of a special resolution. As required by the Clause 49 of the Listing Agreement, the Audit Committee has reviewed and pre-approved the transaction.

Further, in terms of the Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the related parties interested in this transaction shall not vote on the special resolution proposed to be passed in this regard.

Shri Arvind Kapur (DIN: 00096308), Chairman, CEO & Managing Director of the Company is a director on the Board of Rico Investments Limited.

Except as above, none of the other Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the resolution.

The Board recommends the Special Resolution at Item No. 1 of the Notice for your approval.

ITEM NO. 2

Your Company is engaged, *inter alia*, in the manufacturing of Ferrous based as well as Aluminium based Auto Components and have manufacturing plants of Ferrous based Auto Components at Gurgaon and Manesar and of Aluminium (Non-Ferrous) based Auto Components at Dharuhera, Gurgaon, Bawal, Haridwar and Sanand.

The Board of your Company, with a strategic view, to restructure its business activities aimed at arriving at maximum operational efficiency from the resources available with the Company and ensuring that financial resources of the Company are optimally utilized, has proposed to sell/transfer its Ferrous Undertaking and Non-Ferrous Undertaking (collectively may be referred as "Undertakings") to its one of the subsidiary companies namely RAA Autocom Limited as going concern by way of slump sale subject to receipt of all relevant approvals, consents in accordance with the applicable laws. The lump sum negotiated consideration for Ferrous Undertaking and Non-Ferrous Undertaking shall be Rs.39.59 Crores (Rupees Thirty Nine Crores and Fifty Nine Lacs only) and Rs.4.81 Crores (Rupees Four Crores and Eighty One Lacs only) respectively, which is not less than the enterprise/realizable value of said Undertakings, determined by Independent Valuer, without assigning values to individual assets and liabilities. The Company has also obtained Fairness Opinion Report from a merchant banker in this aspect.

The agreed lump sum consideration for sale of the Undertakings may be subject to minor deviation arising on account of variation in net working capital of such businesses, as may be deemed fit by the Board and, shall be paid in cash to the Company by RAA Autocom Limited.

The said transaction including a draft Business Purchase Agreement to give effect to the sale and transfer of the Undertakings has been approved by the Audit Committee and the Board of the Company in their respective meetings both held on 29th January, 2015.

It may be noted that in terms of the explanation to Section 180(1)(a) of the Companies Act, 2013, Ferrous Undertaking of the Company is an undertaking which generated more than 20% of the total income of the Company during the previous financial year as per the audited Balance Sheet as at 31st March, 2014. Therefore, consent of the Members of the Company by way of special resolution is sought for the sale and transfer of the Ferrous Undertaking pursuant to section 180 of the Companies Act, 2013. Although, approval of Members is not required for sale of Non-Ferrous Undertaking as threshold limit of 20% as prescribed for total investment as well as turnover is not met, however, as a good corporate governance practice, approval from Members by way of passing special resolution is also sought for the sale of Non-Ferrous Undertaking to RAA Autocom Limited.

The above transactions of sale of Undertakings to RAA Autocom Limited would also attract the provisions of related party transactions as stipulated in the Companies Act, 2013 and Clause 49 of the Listing Agreement which requires the approval of the Members of the Company by way of special resolution through postal ballot. Therefore, your approval is required to the aforesaid transactions of slump sale of the Undertakings by the Company.

The particulars of transactions pursuant to Para 3 of the Explanation to sub rule 3 of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 are as under:

1. Name of related party : RAA Autocom Limited
2. Nature of relationship : Subsidiary of the Company
3. Material terms, Monetary value, and other particulars :
 - (i) The sale/transfer of the Undertakings shall be effective on such date(s) as the Board may deem fit and as may be mutually agreed between the parties;
 - (ii) The lump sum negotiated consideration for sale of Ferrous Undertaking and Non-Ferrous Undertaking shall be as stated above;
 - (iii) The sale of Undertakings would not affect the services of the employees (as will be transferred as part of Undertakings) and services to the customers of the Company. The said employees will be taken over by RAA Autocom Limited as part of Undertakings without interrupting the continuity of their respective employments; and
 - (iv) The transfer of the Undertakings is subject to such approvals and consent as may be required in this regard.

Further, in terms of the Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the related parties interested in this transaction shall not vote on the special resolution proposed to be passed in this regard.

Shri Arun Kapur (DIN: 00100270), Joint Managing Director and Shri Rakesh Kapur (DIN: 00100359), Director of the Company are Directors on the Board of RAA Autocom Limited.

Except as above, none of the other Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the resolution.

The Board recommends the Special Resolution at Item No. 2 of the Notice for your approval.

ITEM NO. 3

There has been inadequate profits since past few years in the Company. Due to slowdown in the Indian Economy and slump in demand for automotive vehicles, business and consumer sentiments across the country were severely affected. The severe volatility in the forex markets has also adversely impacted the financial performance of the Company. As a result, the remuneration proposed to be paid to Shri Arvind Kapur exceeds the limits laid down under Schedule V to the Companies Act, 2013. Therefore, the Company seeks your approval by way of Special Resolution for the payment of proposed remuneration as defined in the Special Resolution No. 3 which is subject to the approval of the Central Government.

Shri Arvind Kapur (DIN: 00096308) is the Managing Director of the Company since December, 1984. The terms of appointment of Shri Arvind Kapur, Chairman, CEO & Managing Director were approved by the Shareholders in their meeting held on 30th September, 2009 for a period of five years w.e.f. 17th December, 2009 to 16th December, 2014. The terms of his remuneration were also approved by the Shareholders in their meetings held on 30th September, 2009 and 30th September, 2011 respectively and subsequently by the Central Government vide its letter dated 31st May, 2012. The terms of appointment and remuneration of Shri Arvind Kapur, Chairman, CEO & Managing Director has been renewed by the Board in its meeting held on 13th November, 2014 on recommendation by the Nomination and Remuneration Committee in its meeting held on 13th November, 2014 to continue to avail the services for a further period of five years with effect from 17th December, 2014 for carrying out the business operations of the Company.

Considering the increase in responsibilities being shouldered by him in the context of increased volume of business of the Company, your Board of Directors felt it appropriate subject to your approval to pay Shri Arvind Kapur, Chairman, CEO & Managing Director remuneration as detailed in the resolutions, which commensurate with the responsibilities undertaken by him. The remuneration payable to him is for a period of three years effective

17th December, 2014 upto 16th December, 2017. The Nomination and Remuneration Committee in its meeting held on 13th November, 2014 has approved and recommended the proposed remuneration payable to him which is subject to your approval and approval of the Central Government.

The Board recommends the Special Resolution at Item No. 3 of the Notice for your approval.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms and memorandum of interest of the Directors under section 190 of the Companies Act, 2013.

Except Shri Arvind Kapur, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution.

The particulars required to be disclosed in the Explanatory Statement in accordance with the provisions of Sub-paragraph (B) of Section II of Part II of Schedule V of the Companies Act, 2013 are given below:

I. GENERAL INFORMATION

1. Nature of Industry

The Company is a part of Indian Auto Components Manufacturing Industry and is engaged in the business of manufacturing high precision fully machined aluminium and ferrous components and assemblies for Original Equipment Manufacturers (OEMs) across the globe.

2. Date of Commercial Production

Commercial production has already commenced.

3. Financial Performance

The financial performance of the Company (Audited) during the last five years is as under:

(Rs. in Crores)

Financial Parameters	Year ended 31/03/2010	Year ended 31/03/2011	Year ended 31/03/2012	Year ended 31/03/2013	Year ended 31/03/2014
Gross Revenue	837.03	1085.21	1225.95	1185.57	1041.62
Net Profit (As computed under Sec.198)	0.55	12.07	10.96	9.21	4.09
Net Profit as per Profit & Loss Account	6.07	26.51	(3.94)	10.16	2.63
Amount of dividend paid including tax	2.25	3.15	2.35	2.37	1.58
Rate of dividend declared	15% (Paise Fifteen per share)	20% (Paise Twenty per share)	15% (Paise Fifteen per share)	15% (Paise Fifteen per share)	10% (Paise Ten per share)

4. Financial Performance based on given indicators

The Company's sales are affected corresponding to growth of Indian Auto Component Industry.

5. Foreign Investments or Collaborations, if any

Holding of FIIs/NRIs/OCBs/Foreign Companies in the Company as on 31st December, 2014 is 3.59%. The Company has no foreign collaboration as on date. The Company has two Foreign Wholly Owned Subsidiaries namely:

- a) Rico Auto Industries Inc., USA
- b) Rico Auto Industries (UK) Limited, U.K.

II. INFORMATION ABOUT THE APPOINTEE

1. Background Details

Shri Arvind Kapur born on 5th July, 1950 is a Science Graduate from St. Stephen's College, University of Delhi and has done President Management Program from Harvard Business School, USA. He is the co-promoter of the Company and is presently the Chairman, CEO & Managing Director of the Company.

Shri Arvind Kapur has an enriched and vast experience of more than four decades in the industry to his credit and has been instrumental in the growth of your Company. Under his leadership, your Company's turnover has been increased to Rs.1041.62 crores from Rs.0.87 crore since 1986.

2. Past Remuneration

The remuneration drawn by Shri Arvind Kapur during the past five years is as under:

<u>Financial Year Ended</u>		<u>Amount (Rs. in Crores)</u>
31st March, 2010	—	1.27
31st March, 2011	—	1.27
31st March, 2012	—	1.27
31st March, 2013	—	1.39
31st March, 2014	—	1.40

3. Recognition and Awards

He is also Director of the following Companies:

1. Rico Jinfei Wheels Limited
2. Octan Media Limited
3. Rico investments Limited
4. Unitech Machines Limited
5. S. T. Limited
6. Rico Auto Industries Inc., USA
7. Rico Auto Industries (UK) Limited, U.K.
8. Kapsons Associates Investments Private Limited
9. Higain Investments Private Limited
10. Raasaa Retail Private Limited
11. ASN Properties Private Limited
12. Magpie Properties Private Limited
13. KDB Investments Private Limited
14. Alpha Maier Private Limited
15. Haridwar Estates Private Limited

He is member of the following Organisations/Concerns:

1. Automotive Components Manufacturers – Past President Association of India (ACMA)
2. Haryana Regional Committee, EPF – Member on Board
3. Haryana State Pollution Control Board – Member on Board
4. CII Northern Region Council – Member

He is member of the Committees of following Companies:

1. Rico Auto Industries Limited
 - i) Share Transfer Committee – Chairman
 - ii) Finance Committee – Chairman
 - iii) Budget & Investment Committee – Member
2. Unitech Machines Limited
 - i) Remuneration Committee – Member
3. Alpha Maier Private Limited
 - i) Audit Committee – Member
 - ii) Remuneration Committee – Member
4. S.T. Limited
 - i) Audit Committee – Member

4. Job Profile & Suitability

Shri Arvind Kapur, Chairman, CEO & Managing Director is vested with substantial powers of the Company under the superintendence, control and directions of the Board of Directors. He has been associated with the Company since 1983 and has vast experience of more than four decades in the field of business strategy and development, planning, marketing and distribution, finance, production technology etc. Your Company has plants at Dharuhera, Gurgaon, Haridwar, Bawal and Sanand for Aluminium High Pressure Die Casting (HPDC) and the Ferrous Foundry at Gurgaon and IMT Manesar. The other projects are also in pipe line. At present the Company has one Joint Venture Company engaged in the

manufacturing of auto components. Considering the performance of existing projects and expansion plans, the Company is expected to register a growth in the years to come. He is devoting his full time in managing the business of the Company. He is, therefore, best suitable for the job.

5. Remuneration Proposed (17-12-2014 to 16-12-2017)

- a) Salary : Rs.200 Lacs Per Annum
- b) Perquisite and Allowances : Rs.50 Lacs Per Annum

6. Comparative Remuneration Profile with respect to industry, size of the Company, profile of the position and person

The remuneration proposed to be paid to Shri Arvind Kapur is in line with the remuneration paid to the managerial personnel in other Companies engaged in the similar Industry. At present, he is looking after plants at Dharuhera, Gurgaon, IMT Manesar, Haridwar, Bawal and Sanand and one Joint Venture Company and eight Subsidiary Companies.

All these plants and offices are under his supervision. Keeping in view his job profile and position and responsibilities being shouldered by Shri Arvind Kapur, remuneration being given is even below par. The Nomination and Remuneration Committee while recommending the proposed resolution has taken into account all these factors.

7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.

Besides the remuneration proposed herein, Shri Arvind Kapur has no other pecuniary relationship with the Company. He is related to Shri Arun Kapur, Joint Managing Director and Shri Rakesh Kapur, Director of the Company.

III. OTHER INFORMATION

1. Reasons of Loss or Inadequate Profits

The Company during the financial year 2013-14 could not earn the profits as was earning in the past. The financial performance of the Company was impacted due to slowdown in Indian economy, negative market sentiment, high interest rates, severe volatility in the forex markets and increase in commodity prices. Due to these main reasons profits earned are inadequate.

2. Steps taken or proposed to be taken for improvement

The Company is taking series of strategic and operational measures to improve the profitability. Steps are being taken to reduce cost of inputs and increase the productivity and profits.

3. Expected increase in Productivity and Profits in Measurable Terms

The aforesaid steps being taken by the Company would increase the productivity and profits of the Company. The Company would continue its endeavour to increase the revenues to improve the profitability in the coming years.

IV. DISCLOSURES

The requisite disclosures of remuneration package etc. have been mentioned in the Special Resolution at Item No. 3 of the Postal Ballot Notice. At present, there is no stock option scheme available in the Company. The Disclosures are regularly provided in the Annual Report.

By Order of the Board
for **Rico Auto Industries Limited**

Place: Gurgaon
Dated: 29th January, 2015

B.M. Jhamb
Company Secretary
FCS No.2446

RICO AUTO INDUSTRIES LIMITED

CIN : L34300HR1983PLC023187

Regd. Office: 69 KM Stone, Delhi-Jaipur Highway, Dharuhera, Distt. Rewari - 122106, Haryana
Corp. Office: 38 KM Stone, Delhi-Jaipur Highway, Gurgaon - 122001, Haryana
Tel: +91 124 2824000, **Fax:** +91 124 2824200, **E-mail:** cs@ricoauto.in, **Website:** www.ricoauto.com

POSTAL BALLOT FORM

1. Name(s) of Member(s)
(including Joint holders,
if any, in BLOCK LETTERS)
2. Registered Address of the
Sole/First named Member
3. Registered Folio No.
4. DP ID No./Client ID No.
5. Number of Equity Shares held
6. I/We hereby exercise my/our vote in respect of the Special Resolutions to be passed through Postal Ballot for the business stated in the Notice of the Company dated 29th day of January, 2015 by conveying my/our assent or dissent to the said Special Resolutions by placing the tick (✓) mark in the appropriate box below:

Item No.	Description	No. of Equity Shares	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
1.	Sale of Investment held by the Company			
2.	Sale of Divisions of the Company			
3.	Re-appointment of Shri Arvind Kapur (DIN: 00096308) as Chairman, CEO & Managing Director and Payment of Remuneration			

Place :
Date :

SIGNATURE OF THE MEMBER

Notes:

1. Please read carefully the instructions printed overleaf before exercising the vote.
2. The last date for the receipt of Postal Ballot Forms by the Scrutinizer is Wednesday, 11th March, 2015 upto 5.00 P.M.

INSTRUCTIONS:

1. A Member desiring to exercise vote by postal ballot may complete this Postal Ballot Form and send it to the Scrutinizer in the attached self addressed, Business Reply Envelope (postage will be borne and paid by the Company). However, envelopes containing postal ballots, if deposited in person or sent by courier at the expense of the Member will also be accepted.
2. Alternatively, a Member may vote through electronic mode (E-voting) as per the instructions for voting through electronic means provided in the Postal Ballot Notice sent herewith. E-voting is optional.
3. This form should be completed and signed by the Members. In the case of joint holding, this form should be completed and signed (as per the specimen signature registered with the Company/Depository Participant) by the first named Member and in his/her absence, by the next named Member(s).
4. Postal Ballot Forms which are incomplete or unsigned or defective in any manner are liable to be rejected. The Scrutinizer's decision in this regard shall be final and binding.
5. In respect of shares held by corporate and institutional shareholders (companies, trusts, societies etc.), the completed Postal Ballot Form should be accompanied by a certified copy of the relevant board resolution/appropriate authorization, with the specimen signature(s) of the authorised signatory(ies) duly attested.
6. Duly completed Postal Ballot Forms should reach the Scrutinizer not later than the close of working hours i.e. 5.00 P.M. on Wednesday, 11th March, 2015. Any Postal Ballot Form received after this date will be treated as if no reply from the Member has been received.
7. A Member may request for a duplicate Postal Ballot Form, if so required. However, the duly filled in duplicate Postal Ballot Form should reach the Scrutinizer not later than the date specified at item no. 6 above.
8. Members are requested not to send any other paper along with the Postal Ballot Form in the enclosed self-addressed, Business Reply Envelope. All such envelopes will be sent to the Scrutinizer and any extraneous paper found in such envelopes would be destroyed by the Scrutinizer.
9. Only a Member entitled to vote is entitled to fill in the Postal Ballot Form and send it to the Scrutinizer, and any recipient of the Notice who has no voting right should treat the Notice as an intimation only.
10. Members must quote their Folio No./DP ID/Client ID No. and contact details such as e-mail ID, telephone number etc. in correspondence with the Company or its Registrar & Share Transfer Agent namely MCS Limited, F-65, Okhla Industrial Area, Phase – I, New Delhi – 110020.