



PARMESHWAR RECYCLING LIMITED

(CIN: U28999GJ2018PLC100814)

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**POLICY ON IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND
MATERIAL LITIGATIONS**



POLICY ON IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

A. INTRODUCTION

This policy (“**Policy**”) has been formulated to set out the thresholds of materiality of Parmeshwar Recycling Limited (“**Company**”), pursuant to the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended from time to time) (“**SEBI ICDR Regulations**”), in respect of the following:

- A. Identification of companies to be disclosed as Group Companies;
- B. Identification of ‘material’ litigation (excluding disciplinary actions against the promoters, criminal proceedings, statutory/regulatory actions and taxation matters); and
- C. Identification of ‘material’ creditors.

B. APPLICABILITY AND OBJECTIVE

This policy shall be called the ‘**Policy on Identification of Group Companies, Material Creditors and Material Litigations**’ (“**Materiality Policy**”)

The board of directors of the Company (“**Board**”) at their board meeting, discussed and approved this Materiality Policy. This Materiality Policy shall be effective from the date of approval of the Materiality Policy by the Board.

The Company has adopted this Materiality Policy for identification of: (i) Group Companies; (ii) material creditors; and (ii) material litigations pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the Issue Documents.

In this Materiality Policy, the term “Issue Documents” shall mean the draft red herring prospectus, the red herring prospectus and the prospectus to be filed by the Company in connection with the proposed initial public offering of its Equity Shares with the Securities and Exchange Board of India, Registrar of Companies, Ahmedabad, Gujarat and stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

All other capitalised terms not specifically defined in this Materiality Policy shall have the same meanings ascribed to such terms in the Issue Documents.

In this Materiality Policy, unless the context otherwise requires:

- a. Words denoting the singular shall include the plural and vice versa; and
- b. References to the words “include” or “including” shall be construed without limitation.

C. POLICY PERTAINING TO THE IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

The Materiality Policy with respect to the identification of the group companies, material creditors and material litigation shall be as follows:

Identification of Group Companies:

Requirement:

As per Regulation 2(1)(t) of the SEBI ICDR Regulations, Group Companies shall include *“such companies (other than promoter(s) and subsidiary(ies)) with which there were related party transactions, during the period for which financial information is disclosed, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer”*.

Policy on Materiality:

For the purpose of disclosure in the Issue Documents, a company shall be considered and disclosed as a Group Company if:

- a. the companies with which there were related party transactions (in accordance with Ind AS 24), as disclosed in the Restated Financial Statements (**“Restated Financial Statements”**); or
- b. if such company fulfils both the below mentioned conditions: -
 - i. Such company that forms part of the Promoter Group of our Company in terms of Regulation 2(1)(pp) of the SEBI(ICDR)Regulations; and
 - ii. Our Company has entered into one or more transactions with such company in preceding fiscal or audit period as the case may be exceeding 10.00% of total revenue of the company as per Restated Financial Statements.

In addition, for the purposes of (i) above, a company (other than the promoter, the subsidiary(ies) (if any) and companies categorized under 2(a) above) shall be considered “material” and will be disclosed as a Group Company in the Offer Documents if such company is a member of the ‘Promoter Group’ of the company in terms of Regulation 2(1)(pp) of SEBI ICDR Regulations; and the Company has entered into one or more transactions with such company during the last completed Fiscal for which Restated Financial Information are being included, which individually or cumulatively in value exceeds Ten (10) *per cent* of the revenue from operations of the Company for the last completed Fiscal as per the Restated Financial Information.

Accordingly, for 2(a) above, all such companies (other than the promoters and subsidiary(ies) (if any) with which there were related party transactions during the periods covered in the Restated Financial Information, as covered under the applicable accounting standards, shall be considered as group companies in terms of the SEBI ICDR Regulations and shall be disclosed in the Offer Documents.

For avoidance of doubt, it is hereby clarified that the subsidiaries and step-down subsidiaries of the Company, shall not be considered as ‘Group Companies’ for the purpose of disclosure in the Offer Documents.

Identification of Material Creditors

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents for outstanding dues to creditors:

- i. Based on the policy on materiality defined by the Board, details of the creditors which include the consolidated number of creditors and the aggregate amount involved, will be disclosed in the Issue Documents;
- ii. Consolidated information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved will be disclosed in the Issue Documents; and
- iii. Complete details about outstanding dues to material creditors along with the name and amount involved for each such material creditor shall be disclosed on the website of the Company with a web link thereto in the Issue Documents.

Policy on materiality

For identification of material creditors (except banks and financial institutions from whom the Company has availed financing facilities), in terms of point (i) above, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents, if amounts due to such creditor by the Company is equal to, or in excess of, Ten (10) per cent of the restated trade payables of the Company, respectively, as at the end of the most recent financial year included in the Restated Financial Information.

Disclosure in the Offer Documents regarding material creditors and MSMEs

- a. For creditors identified as 'material' based on the abovementioned Policy, information on outstanding dues to such material creditors shall be disclosed in the Offer Documents along with the details of the material creditors, which include the number of creditors and amount involved on an aggregate basis, as on March 31, 2025, based on the Restated Financial Statements of the Company included in the Issue Documents.
- b. For outstanding dues to micro, small and medium enterprises ("**MSMEs**"), the disclosure will be based on information available with the Company regarding the status of the creditors as MSMEs as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report. Information for such identified MSMEs creditors shall be provided in the Offer Documents in the following manner:
 - I. aggregate amounts due to such MSME creditors; and
 - II. aggregate number of such MSME creditors

as on March 31, 2025, based on the Restated Financial Statements of the Company included in the Issue Documents.

- c. Complete details about outstanding over dues to the material creditors along with the name and amount involved for each such material creditor shall be disclosed on the website of the Company with a web link in the Issue Documents.

The Company shall make relevant disclosures before the Audit Committee/ Board of Directors as required by applicable law from time to time.

Identification of Material Litigations (excluding disciplinary actions against the promoters, criminal proceedings, statutory/regulatory actions and taxation matters)

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following pending litigation involving the Company, Subsidiary, its Promoters and Directors (collectively, “**Relevant Parties**”):

- 1) All criminal proceedings;
- 2) All actions taken by statutory and regulatory authorities;
- 3) Tax proceedings - claims related to direct and indirect taxes; and
- 4) Other pending litigation/ arbitration- as per policy of materiality defined by the Board and disclosed in the Issue Documents.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose: (a) any disciplinary action (including a penalty) imposed by SEBI or any of the stock exchanges against its promoters in the five financial years preceding the date of the relevant Offer Document, including any outstanding action; (b) outstanding litigation involving the group companies, which may have a material impact on the Company; (c) all criminal proceedings involving key managerial personnel and senior management of the Company; and (d) actions taken by the regulatory authorities and statutory authorities against the key managerial personnel and senior management of the Company.

Policy on materiality

For the purposes of determining outstanding material litigation / arbitration proceedings referred to in point (d) above, the following criteria shall apply:

Any pending litigation / arbitration proceedings (other than the litigation referred to in points 1 (a) to (c) above) shall be considered “material” for the purposes of disclosure in the Offer Documents, if:

as regards the Company or its subsidiary(ies) (if any), the aggregate monetary claim/ dispute amount/ liability made by or against the Company or its subsidiary(ies) (if any) in any such pending litigation / arbitration proceeding is lower of threshold mentioned below:

- i. aggregate monetary claim/ dispute amount/ liability made by or against the Company or its any such pending litigation / arbitration proceeding is equal to, or in excess of, Ten (10) *per cent* of the restated profit after tax of the Company, as per the latest completed fiscal of the Restated Financial Information; or
- ii. aggregate monetary claim/ dispute amount/ liability made by or against the Company or its subsidiary(ies) (if any) in any such pending litigation / arbitration proceeding exceeds the lower of the following (i) two percent of turnover, as per the latest financial year included in the Restated Financial Information ; or (ii) two percent of net worth, as per the latest financial year included in the Restated Financial Information, except in case the arithmetic value of the net worth is negative; or (iii) five percent of the average of absolute value of profit or loss after tax, as per the preceding three financial years included in the Restated Financial Information disclosed in the relevant Offer Documents.
 - (a) as regards the directors and promoters of the Company, any such pending litigation
 - (b) arbitration proceeding involving the directors or the promoters of the Company, which may have a material adverse impact on the business, operations, performance, prospects, financial position or reputation of the Company; or

if any monetary liability is not quantifiable, or which does not fulfil the thresholds specified in paragraphs (a) or (b) above, as applicable, or wherein our Company is not a party, but the outcome of which could, nonetheless, have a material adverse effect on the business, operations, performance, prospects, financial position or reputation of the Company.

For the purpose of the above and litigation involving pre-litigation notices received by the Relevant Parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action or the first information reports) shall, unless otherwise decided by the Board of Directors, not be considered as material litigation, until such time that a Relevant Party is impleaded as a defendant in proceedings before any judicial / arbitral forum.

D. AMENDMENT

The Board (including its duly constituted committee wherever permissible), shall have the power to amend any of the provisions of this Materiality Policy, substitute any of the provisions with a new provision or replace this Materiality Policy entirely with a new Policy. This Materiality Policy shall be subject to review / changes as may be deemed necessary and in accordance with regulatory amendments from time to time.

E. DISCLOSURES

The Company shall disclose the Policy on its website.

