



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

VARDHMAN APPLIANCES LIMITED

CIN: U27509DL2023PLC418176

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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 in respect of the proposed initial public offering of Vardhman Appliances Limited (“**Company**”, and such offering, the “**Offer**”), in order to comply with 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:

1. Identification of companies to be disclosed as ‘Group Companies’ of the Company in the Offer Documents (*as defined below*);
2. Identification of ‘material’ outstanding litigation involving the Company, its Subsidiary, its Directors and its Promoters (the “**Relevant Parties**”), and its Key Managerial Personnel and Senior Managerial Personnel (excluding disciplinary actions against the Company, its Subsidiary, its Directors, and its Promoters, criminal proceedings, statutory/regulatory actions and taxation matters); and
3. Identification of ‘material’ creditors of the Company.

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 meeting held on 23.09.2026, 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 (iii) material litigations pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the Offer Documents.

In this Materiality Policy, the term “**Offer Documents**” shall mean the draft red herring prospectus, the red herring prospectus and the prospectus (including any addendum or corrigendum thereto), as applicable, to be filed and/or submitted by the Company in connection with the Offer, with the Securities and Exchange Board of India (“**SEBI**”), the Registrar of Companies, National Capital Territory of Delhi-II at Central Delhi and BSE Limited and National Stock Exchange of India Limited where the equity shares of the Company are proposed to be listed (the “**Stock Exchanges**”), as applicable.

The term “**Restated Financial Information**” shall mean the restated consolidated financial information of the Company and its Subsidiary, as disclosed in the relevant Offer Documents, together with the summary statement of significant accounting policies, and other explanatory information thereon derived from the relevant consolidated audited financial statements and consists of the restated consolidated financial statement of assets and liabilities as at March 31, 2026, March 31, 2025 and March 31, 2024, the restated consolidated financial statement of profit and loss (including other comprehensive income) as at and for the financial years ended March 31, 2026, March 31, 2025 and March 31, 2024, the restated consolidated financial statement of changes in equity as at March 31, 2026, March 31, 2025 and March 31, 2024 and the restated consolidated financial statement of cash flows financial years ended March 31, 2026, March 31, 2025 and March 31, 2024. The Restated Financial Information as approved by our Board on 23.09.2026, has been prepared by our Company in accordance with the Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (read with Companies (Indian Accounting Standards) Rules, 2015 as amended) and restated in accordance with the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time.

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

In this Materiality Policy, unless the context otherwise requires:

1. Words denoting the singular shall include the plural and vice versa; and
2. 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 of the Company, material creditors of the Company, and material litigation for disclosure in the Offer Documents, shall be as follows:

I. Materiality approach for identification of Group Companies

Requirement under the SEBI ICDR Regulations:

As per Regulation 2(1)(t) of the SEBI ICDR Regulations, group companies shall include (a) 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 in the relevant Offer Document, as covered under the applicable accounting standards, and also (b) other companies as considered material by the board of the issuer.

Policy on Materiality:

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

1. For (a) above, the companies (other than promoter(s) and subsidiary(ies)) with which there were related party transactions (in accordance with Ind AS 24), as disclosed in the Restated Financial Information as included in Offer Documents; and
2. For (b) above, such companies (other than the promoter(s), Subsidiary and companies categorized under (1) above) that are a part of the Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, with which the Company has entered into one or more transactions in the most recent financial year and stub period, if any, as disclosed in the Restated Financial Information included in the Offer Documents, of a value exceeding individually or in the aggregate, 10% of the total consolidated restated revenue from operations of the Company for the last completed fiscal or the stub period as per the Restated Financial Information as included in the Offer Documents.

Accordingly, based on the Restated Financial Information, below companies are identified as Group Companies of the Company for the purposes of disclosure in the Offer Documents:

1. Vardhman Home Appliances Limited

II. Materiality approach for identification of Material Creditors

Requirement under the SEBI ICDR Regulations:

As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents and on its website, of outstanding dues owed to its creditors and micro, small and medium enterprises (“MSME”) as on latest financial year/ period disclosed in the Restated Financial Information of the Company as follows:

1. 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, is required to be disclosed in the Offer Documents;
2. Consolidated information on outstanding dues to MSMEs and other creditors, separately giving details of the number of cases and amount involved is required to be disclosed in the Offer Documents; and
3. Complete details about outstanding over-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 Offer 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 (1) 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 exceed 5% of the total consolidated restated trade payables of the Company as per the most recently completed fiscal or stub period as per the Restated Financial Information as disclosed in the Offer Documents.

Disclosure in the Offer Documents regarding material creditors and MSMEs

1. For creditors identified as ‘material’ based on the abovementioned Materiality 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 consolidated number of such material creditors and the amount involved on an aggregate basis, as on the latest financial year/ stub period disclosed in the Restated Financial Information included in the Offer Documents.
2. For outstanding dues to 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 read with Section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended. Information for such identified MSMEs creditors shall be provided in the Offer Documents in the following manner:
 - (a) aggregate amounts due to such MSME creditors; and
 - (b) aggregate number of such MSME creditors,

as on the latest financial year/ stub period disclosed in the Restated Financial Information included in the Offer Documents.
3. Complete details about outstanding overdues 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 thereto in the Offer Documents.

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

III. Materiality approach for identification of material litigations (excluding disciplinary actions against the promoters, criminal proceedings, statutory/regulatory actions and taxation matters)

Requirement under the SEBI ICDR Regulations:

As per the requirements of the SEBI ICDR Regulations, the Company shall disclose pending litigations involving the Company, its Subsidiary, its Promoters and its Directors (collectively, “**Relevant Parties**”), and its Key Managerial Personnel and Senior Managerial Personnel. Hence, the Company is proposing to disclose the following pending litigations, as prescribed under the SEBI ICDR Regulations:

1. All outstanding criminal proceedings (including matters which are at first information report stage and police complaints have been filed irrespective of any cognizance taken by any court or not);
2. All outstanding actions taken by regulatory authorities and statutory authorities against the Relevant Parties, including notices by such authorities (including any findings/observations of any of the inspections by SEBI or any other regulatory authority or any penalties imposed);
3. Disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoters of the Company in the last five financial years preceding the date of the relevant Offer Document including outstanding action;
4. Outstanding claims for any direct or indirect tax giving the number of cases and total amount involved in a consolidated manner. Provided that if the amount involved in any such claims exceeds the materiality threshold determined as per point no. (5) below, such matter(s) will be disclosed on an individual basis; and
5. Other pending litigations (including civil and/or arbitration proceedings) involving the Relevant Parties, other than criminal proceedings, actions by regulatory authorities and statutory authorities, disciplinary actions including penalty imposed by SEBI or Stock Exchanges against the Promoters in the last five fiscals, would be considered 'material' for the purposes of disclosure in the Offer Documents, if the aggregate monetary amount of claim involved, whether by or against the Relevant Parties, in any such pending litigation exceeds the lower of the following:
 - (a) two percent of consolidated turnover, as per the last annual Restated Financial Information, i.e., financial year ended March 31, 2026; or
 - (b) two percent of consolidated net worth, as per the last annual Restated Financial Information, i.e., financial year ended March 31, 2026; or
 - (c) five percent of the average of absolute value of consolidated profit or loss after tax, as per the Restated Financial Information for the last three financial years, i.e., financial years ended March 31, 2026, March 31, 2025, and March 31, 2024.
6. All other pending litigations/arbitration proceedings – as per the Materiality Policy adopted by the Board and disclosed in the Offer Documents.

Note: For the purpose of paragraph 5(c) above, it is clarified that the average of absolute value of consolidated profit or loss after tax is to be calculated by disregarding the 'sign' (positive or negative) that denotes such value.

Further, as per the requirements of the SEBI ICDR Regulations, the Company shall also disclose in the Offer Documents (i) all criminal proceedings involving the key managerial personnel and senior management personnel of the Company; and (ii) actions by regulatory authorities and statutory authorities against the key managerial personnel and senior management personnel of the Company.

Policy on materiality

For the purpose of point nos. 5 and 6 above, any other pending civil litigation or arbitration (other than litigations mentioned in points 1 to 4 above) involving the Relevant Parties shall be considered "material" for the purposes of disclosure in the Offer Documents if:

1. the aggregate monetary claim/ dispute amount/ liability made by or against the Relevant Parties in any such pending litigation/ arbitration proceeding exceeds the lower of the parameters set out in paragraph (5) above.
2. wherein monetary liability is not quantifiable for any outstanding proceeding, or which does not fulfil the financial threshold as specified above, but the outcome of which could, nonetheless, have a material adverse effect on the business, operations, performance, prospects or reputation of the Company.
3. there are any findings or observations arising out of any of the inspections by SEBI or by any other regulator in or outside India, which are outstanding.

Further, pre-litigation notices received by any Relevant Party (excluding notices issued by any governmental, statutory, regulatory, judicial, quasi-judicial or taxation authorities or notices threatening criminal action) and

civil disputes that have not culminated in formal legal proceedings and are at dispute resolution stage, unless otherwise decided by our Board, shall not be evaluated for materiality until such time that such parties are impleaded as defendants in litigation proceedings before any judicial forum.

Materiality criteria for litigation involving the Group Companies

In accordance with the SEBI ICDR Regulations, any outstanding litigation involving a group company shall be considered 'material' for the purposes of disclosure in the Offer Documents, if the outcome of such litigation (irrespective of any amount involved in such litigation) could have a material impact on the financial position, business, operations, prospects, or reputation of the issuer company.

All group companies are required to identify in their respective certificates pending litigation involving such companies which are considered material by the respective group companies and which, in their view have a material impact on the Company. Having received details of such litigation from the Group Companies, the Company (acting through its Board/ IPO Committee, as applicable) will determine which of such identified litigation may have a material impact on the Company and disclose the same in the Offer Documents in accordance with the SEBI ICDR Regulations.

D. GENERAL

This Materiality Policy shall be without prejudice to any disclosure requirements, which may be prescribed under the Companies Act, 2013 and the rules framed thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the offer documents or by SEBI and/or such other applicable authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI through its observations on the offer documents, or additional disclosures that may arise from any investor or other complaints. In this regard, it is clarified that this Materiality Policy has been adopted by our Board solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents in connection with the Offer and should not be applied towards any other purpose including for disclosure of material information by listed entities pursuant to the requirements prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

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.