

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

1. INTRODUCTION

- This Policy has been formulated to define the materiality for identification of group companies, outstanding litigation and outstanding dues to creditors in respect of KRN heat Exchanger And Refrigeration Limited (the “Company”), pursuant to the disclosure requirements under Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (“SEBI ICDR Regulations”).

APPLICABILITY AND OBJECTIVE

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

The Board of Directors of the Company (“Board”) at their meeting held on 07th August, 2023 discussed and approved the Policy. This Policy shall be effective from the date of approval of this Policy by the Board.

The Company has adopted this Policy for identification and determination of:

- material creditors;
- material litigations and
- Group Companies pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the Offer Documents.

“Offer Documents” means 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, Rajasthan at Jaipur (“RoC”) 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 Policy shall have the same meanings ascribed to such terms in the Offer Documents.

2. IDENTIFICATION OF ‘MATERIAL’ GROUP COMPANIES**• Requirement**

As per the requirements of the SEBI ICDR Regulations, Group Companies include such companies as covered under the applicable accounting standards (i.e. Indian Accounting Standard 24 (“Ind AS 24”), as applicable) as per the restated consolidated financial statements for three (3) financial years and any subsequent stub period preceding the date of the Offer Document, which is included in such Offer Document and also any other companies as considered material by the board of directors of the Company.



- **Policy On Materiality**

For the purpose of disclosures in the Offer Documents, as prescribed under the SEBI ICDR Regulations, all companies which are identified as related parties (in accordance with Ind AS 24) on the basis of the restated consolidated financial statements to be included in the Offer Documents shall be identified as 'Group Companies' in the Offer Documents. In addition to group companies determined as per Ind AS 24, the companies that are considered material by the Board shall be disclosed as 'Group Companies' in the Offer Documents. A company shall be considered material and disclosed as 'Group Company' if a material adverse change in such company, can lead to a material adverse effect on the Company and its revenues and profitability.

For avoidance of doubt, it is hereby clarified that the Subsidiaries shall not be considered as Group Companies for the purpose of disclosure in the Offer Documents.

3. 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 and as disclosed in the Offer Document, disclosure for such creditors;
- ii. Consolidated information on outstanding dues to small scale undertakings and other creditors, separately giving details of number of cases and amount involved; and
- iii. Complete details about outstanding dues to creditors as per (i) and (ii) above shall be disclosed on the webpage of the Company with a web link thereto in the offer document.

- **Policy On Materiality**

For identification of material creditors, such creditors of the Company, shall be considered to be material for the purpose of disclosure in the Offer Documents and on the website of the Company, if amount dues to any one of them exceeds ₹5 Lakhs as per the latest restated standalone financial statements of the Company.

Disclosures in Offer Documents regarding material creditors and SMEs

- i. For creditors identified as material based on the abovementioned Policy, following disclosure would be made in the Offer Documents:
 - consolidated amount due to such material creditors; and
 - aggregate number of such creditors.
- ii. For outstanding dues to any party which is a Small Scale Undertaking ("SSI") or a Micro Small and Medium Enterprises ("MSME"), the disclosure will be based on information available with the Company regarding status of the suppliers as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, as has been relied upon by the auditors. Consolidated information for such identified SSI/MSMEs and creditors shall be provided in the Offer Documents in the following manner:
 - consolidated amounts due to such entities; and
 - aggregate number of entities.



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

It is clarified that the above policy on materiality of creditors shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and / or such other applicable regulatory authority with respect to listed companies and the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents and the website of the Company and should not be applied towards any other purpose.

4. IDENTIFICATION OF MATERIAL LITIGATION

• Requirement

As per the requirements of SEBI ICDR Regulations, the Company shall disclose all the litigation involving the Company, its subsidiaries, joint ventures, directors and group companies related to:

- i. All criminal proceedings;
- ii. All actions by statutory / regulatory authorities;
- iii. Taxation - separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and
- iv. Other pending litigations - as per policy of materiality defined by the Board and disclosed in the Offer Documents.

• Policy on materiality

- i. All litigations pertaining to the Company, its directors/promoters/subsidiaries which are in the nature of criminal, statutory/ regulatory and taxation related are deemed material by the Board. Further the Board considers all other litigation pertaining to the Company, its directors/promoters/subsidiaries which are above a claim amount equal to or exceeding Rs.5 lakhs as material.
- ii. The litigations of our group companies are not accorded in the materiality clause and litigation in relation to the company. However, if any material litigation arises in the group company, which may directly or indirectly affect the company, the same shall be considered by the company.

GENERAL

The above policies shall be subject to review/changes by the Board as may be deemed necessary and in accordance with regulatory amendments, from time to time.

