

## **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 Encompass Design India 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. OBJECTIVE**

In view of the SEBI ICDR Regulations, the Board of Directors ("Board") of **Encompass Design India Limited** ("Company") has adopted this policy and procedures for determination of:

- i. Companies which are considered to be material as a Group company of the Company within the meaning of 'Group Company' defined under the SEBI Regulations;
- ii. Material Creditors; and
- iii. Material Litigation.

This policy shall be called the 'Policy on Identification of Group Companies, Material Creditors and Material Litigations' ("Policy").

The Policy shall be come into effect from the date of its approval by our Board.

### **C. INTERPRETATION**

In this Policy, unless the context otherwise requires:

- 1. Words denoting the singular shall include the plural and vice versa.
- 2. References to the words "include" or "including" shall be construed without limitation.

### **D. POLICY PERTAINING TO THE IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS**

The policy with respect to the identification of the group companies of our Company, Material Creditors and Material Litigation shall be as follows:

#### **Identification of the Group Companies**

As per schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, the Company is required to define materiality policy, for identification of "**Group Companies**" for disclosure of "**Group Companies**" in its draft prospectus/prospectus as:

*"The words "group companies", wherever they occur, 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 applicable accounting standards and also other companies as considered material by the board of the issuer."*

Therefore, as per the requirements of the SEBI ICDR Regulations, Group Companies of the Company shall include:

- i. companies (other than the subsidiaries) with which there were related party transactions, during the period for which financial information will be disclosed in the Offer Documents, as covered under the Indian Accounting Standard (Ind AS) 24; and
- ii. companies as considered material by the Board.

With respect to point (ii) above, for the purpose of disclosure in the Offer Documents, such companies with which the Company has entered into one or more related party transactions as per Ind AS 24 or Companies Act, 2013 during the period after the last completed financial year and the stub period if any as included in the Offer Documents until the date of filing of the respective Offer Documents, will be included as group companies.

Information about the Group Companies identified based on the above approach shall be disclosed in the Offer Documents in accordance with SEBI ICDR Regulations.

### **Identification of Material Creditors**

Our Company is required to disclose pursuant to Para 12(A)(2) of Part A of Schedule VI of the SEBI ICDR Regulations in the Draft Prospectus / Prospectus, the details of the outstanding dues to creditors: (i) based on the policy on materiality of our Board, complete disclosure for such creditors; and (ii) consolidated information on outstanding dues to small scale undertakings and other creditors, separately giving details of number of cases and amount involved. Additionally, our Company is required to provide complete details about outstanding dues to creditors as per (i) and (ii) above on the webpage of our Company with a web link thereto in the Draft Prospectus / Prospectus which is as follows: -

For identification of material creditors, any creditor of the Company shall be considered to be material, if the amount due to any one of them exceeds five percent (5.00%) of trade payables as per the last audited financial statements of the Company.

### **Identification of Material Litigation**

Our Company is required to disclose in the Draft Prospectus / Prospectus all outstanding: (i) criminal proceedings; (ii) actions by statutory or regulatory authorities; (iii) Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action (iv) taxation matters (indirect and direct taxes) in a consolidated manner, giving the number of cases and total amount; and (iv) other pending material litigation based on lower of threshold criteria mentioned below:

i) As per the policy of materiality defined by the board of directors of the issuer and disclosed in the offer document; or

(ii) Litigation where the value or expected impact in terms of value, exceeds the lower of the following:

(a) two percent of turnover, as per the latest annual restated consolidated financial statements of the issuer; or

(b) two percent of net worth, as per the latest annual restated consolidated financial statements of the issuer, except in case the arithmetic value of the net worth is negative; or

(c) five percent of the average of absolute value of profit or loss after tax, as per the last three annual restated consolidated financial statements of the issuer.

(iii) All criminal proceedings involving key managerial personnel and senior management of

the issuer and also the actions by regulatory authorities and statutory authorities against such key managerial personnel and senior management of the issuer shall also be disclosed

For the purposes of disclosure pursuant to Para 12(A)(1) of Part A of Schedule VI of the SEBI Regulations and the Materiality Policy, following litigation are considered material for disclosure in Draft Prospectus/Prospectus of our Company: -

(i) All pending litigation involving our Company, holding, Directors, Promoters and Group Companies, other than criminal proceedings and statutory or regulatory actions, would be considered 'material' if the monetary amount of claim by or against the entity or person in any such pending proceeding is in excess of one percent (1.00%) of the profit after tax of our Company as per the last audited financial statement.

(ii) For the purposes of determining material litigation(s) involving our Directors in (i) above, our Board shall consider all outstanding litigation involving each Director and it believes that if any such litigation has an adverse outcome and therefore, would materially and adversely affect the reputation, operations or financial position of our Company, it shall be considered as material litigation and accordingly, each of our directors shall identify and provide information relating to such outstanding litigation involving themselves.

**E. APPROVAL**

This policy has been approved by our Board in its meeting held on 09<sup>th</sup> June, 2025.

**F. AMENDMENT**

The Board (including its duly constituted committees wherever permissible), shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. This Policy shall automatically stand amended to reflect any changes to the SEBI Regulations, to the extent the same is the subject matter of this Policy.

**G. DISCLOSURE**

Para 12 (A) of Part A of Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 requires the same to be disclosed in its draft prospectus/prospectus of the company

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