

VMS INDUSTRIES LIMITED

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

[Pursuant to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)
Regulations, 2018]

VMS INDISTRIES LIMITED

CIN: L74140GJ1991PLC016714

Registered Office:

808/C PINNACLE BUSINESS PARK,
CORPORATE ROAD, PRAHLADNAGAR,
Ahmedabad, Gujarat-380015, India

IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

A. INTRODUCTION

This policy has been formulated to define the materiality for identification of group companies, outstanding material litigation and outstanding dues to material creditors in respect of VMS INDUSTRIES LIMITED and its Directors (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 may be amended (“**SEBI ICDR Regulations**”).

B. 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 28th November, 2015 discussed and approved this 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: (i) material creditors; (ii) material litigations; and (iii) group companies pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed at website www.vmsil.in of the company.

In this Policy, unless the context otherwise requires:

- (i) Words denoting the singular shall include the plural and vice versa;
- (ii) 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 Policy with respect to the identification of the group companies, material creditors and material litigation shall be as follows:

Identification of ‘Material’ Group Companies:

Policy on Materiality:

A company shall be considered material and disclosed as a Group Company (i) covered under the schedule of related party transactions as per the restated consolidated financial statements and (ii) other “material” group companies as considered by the Board of Directors (other than those covered under the schedule of related party transactions as per the restated financial statements) shall be considered as Group Companies of the Company, for purposes of disclosure in the Issue Documents.

Identification of Material Creditors

Requirement:

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

- (i) Based on the policy on materiality defined by the Board, disclosure for such creditors which include the consolidated number of creditors and the aggregate amount involved;
- (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; and
- (iii) 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 Issue Documents.

Policy on materiality:

For identification of material creditors, in terms of point (i) above, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Issue Documents, if amounts due to such creditor exceed 7.5% of the total trade payables of the Company as per the latest restated financial statements of the Company, as disclosed in the Issue Documents.

Disclosures in the Issue Documents regarding material creditors

- (i) For creditors identified as 'material' based on the abovementioned Policy, information on outstanding dues to such material creditors shall be disclosed in the Issue Documents along with the details of the material creditors, which include the consolidated number of creditors and amount involved on an aggregate basis, as of the date of the latest restated consolidated financial statements included in the Issue Documents.
- (ii) 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 Issue Documents in the following manner:
 - a. aggregate amounts due to such MSME creditors; and
 - b. aggregate number of such MSME creditors.

as of the date of the latest restated financial statements included in the Issue Document

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

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

Identification of Material Litigations

Requirement:

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

- (i) All criminal proceedings;
- (ii) All actions by statutory / regulatory authorities;
- (iii) Disciplinary action including penalty imposed by SEBI or Stock Exchanges against the promoter in the last five financial years including outstanding action;
- (iv) Claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and
- (v) Other material pending litigations/ arbitration proceedings - 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 any outstanding litigation involving the group companies, which may have a material impact on the Company. For the purposes of determining the outstanding litigation involving the group companies, which may have a material impact on the Company, the criteria specified under “*Policy on materiality*” herein below shall apply.

Policy on materiality:

For the purpose of point no (v) above, any other pending litigation/ arbitration proceedings involving the Company, its directors and its subsidiaries shall be considered “material” for the purpose of disclosure in the Issue Documents if: -

- (a) the monetary amount of the claim made by or against the Company, its subsidiaries and/or directors in any such pending litigation is in excess of 5 % of the consolidated profit after tax of the Company; or 1 % of consolidated total operating income of the Company, whichever is lower, as per the last audited restated financial statements of the Company for a complete financial year, as included in the Issue Documents; or
- (b) where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in an individual litigation does not exceed the amount determined as per clause (a) above, and the amount involved in all of such cases taken together exceeds the amount determined as per clause (a) above; and
- (c) where the monetary liability is not quantifiable, or any such litigation which does not meet the criteria set out in (a) above and an adverse outcome in which would materially and adversely affect the operations or financial position of the Company.

Involving Directors (individually or in aggregate) of the Company, the outcome of which would materially and adversely affect the business, operations, prospects, financial position or reputation of the Company, irrespective of the amount involved, to be considered as material.

Further, pre-litigation notices received by the Company, Directors, Promoter from third parties (excluding those notices issued by statutory / regulatory / tax authorities or notices threatening criminal action) have not been considered material until such time that the Company or Subsidiary or such Director or Promoter, as the case may be, is impleaded as a defendant in litigation before any legal / judicial / arbitral forum.

D. 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 be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.
