

## KANODIA CEMENT LIMITED

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### MATERIALITY POLICY

#### INTRODUCTION

This policy (“**Policy**”) has been formulated to define the respective materiality policies in respect of Kanodia Cement Limited (the “**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) (“**SEBI ICDR Regulations**”), in respect of the following:

- A. Identification of material companies to be disclosed as Group Companies in the Offer Documents (as defined below);
- B. Identification of outstanding ‘material’ litigation involving the Company, its Directors, its key managerial personnel, its senior management personnel, its Subsidiaries, its Promoters, and Group Companies as applicable (excluding disciplinary actions against the promoters, criminal proceedings, statutory/regulatory actions and taxation matters); and
- C. Identification of ‘material’ creditors of the Company.
- D. Material Acquisition/Merger/Investment in another body corporate

#### APPLICABILITY

The board of directors of the Company (“**Board**”) at their meeting held on 22<sup>nd</sup> March, 2025 discussed and approved this, Policy. This Policy shall be effective from the date of approval of the Policy by the Board.

In this Policy, the term “**Offer Documents**” shall mean the draft red herring prospectus, the red herring prospectus and the prospectus to be filed and/ or submitted by the Company in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India, the Registrar of Companies, Kanpur at Uttar Pradesh and/or the 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.

#### **A. Identification of companies to be disclosed as group companies in the Offer Documents**

##### *Requirement:*

As per the requirements of the SEBI ICDR Regulations, group companies include such companies (other than the subsidiaries and the promoters) with which there were related party transactions, during the period for which financial information is disclosed in the Offer Document(s), as covered under Ind AS 24, and also other companies as considered material by the Board.

The policy on identification of companies to be disclosed as group companies (other than those covered under Ind AS 24), as below, shall be disclosed in the Offer Documents.

##### *Policy on materiality:*

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

- (i) The Company has entered into related party transactions with companies (other than the Promoters and Subsidiaries) as described under Ind AS 24 with such company during any of the financial periods being included in the Offer Documents; and
- (ii) any other company as may be identified as material by the Board; and

- (iii) In addition, for the purpose of (ii) above, a company (other than the promoter, subsidiaries and companies categorised in (i) above) will be considered material and shall be disclosed as a group company in the Offer Documents if: (i) such company is a member of the promoter group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations; and (ii) the Company has entered into one or more transactions with such company during the last fiscal year and stub period, in respect of which restated consolidated financial information is included in the Offer Documents, which cumulatively exceeds 10% of the total revenue of the Company for such period derived from the restated consolidated financial information; and

Further, (i) any such company that was categorized as a subsidiary in the Restated Financial Statements and with which there were related party transactions during the periods covered in the Restated Financial Statements and which has ceased to be a subsidiary of the Company as on the date of adoption of the Materiality Policy shall be excluded from being categorized as a group company.

**B. Identification of ‘material’ litigation (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, its Directors, and Promoters (collectively “**Relevant Parties**”):

- (i) All outstanding criminal proceedings, including matters which are at first information report stage and police complaints irrespective of any cognizance taken by any court or not);
- (ii) All actions by regulatory authorities and statutory authorities, including notices by such authorities (including any findings/observations of any of the inspections by SEBI or any other regulatory authority or penalties show cause notices);
- (iii) Disciplinary actions including penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years including outstanding action;
- (iv) all outstanding criminal proceedings (including FIRs, whether cognizance has been taken or not) involving the KMPs and SMPs;
- (v) Outstanding claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount. In the event any tax matters involve an amount exceeding the threshold proposed in, in relation to the Relevant Parties, individual disclosures of such tax matters will be included; and
- (vi) Other pending litigations (including civil litigations or arbitration proceedings) involving the Relevant Parties, which are determined to be material as per the policy of materiality defined by the Board and disclosed in the Offer Documents.

Further, as per the requirements of SEBI ICDR Regulations, the Company shall also disclose such outstanding litigation (including civil litigations or arbitration proceedings) involving the group companies which has a material impact on the Company. Any pending litigation (including civil litigations or arbitration proceedings) involving the group companies, as identified in accordance with provisions of SEBI ICDR Regulations, would be considered to have a ‘material impact’ on the Company for the purpose of disclosure in the Offer Documents, if an adverse outcome from such pending litigation would materially and adversely affect the business, operations, cash flows, performance, prospects, financial position or reputation of the Company.

*Policy on materiality:*

Other than litigations mentioned in points (i) to (iv) above, any other pending litigation, as mentioned in (v), involving the Relevant Parties would be considered ‘material’ for the purpose of disclosure in the Offer Documents, if:

- (i) *Monetary threshold:* For the purposes of disclosing material civil litigation including arbitration proceedings involving the Relevant Parties, in which the aggregate monetary claim made by or against the Relevant Parties is equal to or excess of:

- (a) [2% of the turnover of our Company as per the last annual restated consolidated financial information Information i.e. as of March 31, 2024 of our Company i.e. ₹ 177.58 million; or
- (b) 2% of the net worth of our Company as per the last annual restated consolidated financial information March 31, 2024, of our Company i.e. ₹ 79.20 million, except in case the arithmetic value of the net worth is negative; or
- (c) 5% of the average of the absolute value of the restated profit or loss after tax, of the Company based on the restated consolidated financial information of the preceding three financial years i.e. as of Fiscal 2022, 2023, and 2024 disclosed in the relevant Offer Documents,] [***Trilegal Note: Company to re-confirm the numbers***]

whichever is lower, in this case being 5% of the average of the absolute value of the restated profit or loss after tax of the Company based on the restated consolidated financial information of the preceding three financial years, being ₹ 33.27 million.

- (ii) the monetary amount of claim by or against the Relevant Parties (individually or in aggregate) in any such pending proceeding is in excess of five (5) percent of the average of absolute value of profit or loss after tax of the Company on a consolidated basis, as per the last three financial years restated consolidated financial information, i.e. financial years 2022, 2023 and 2024, included in the Offer Documents; or
- (iii) Subjective threshold: such pending matters which are not quantifiable or do not exceed the monetary threshold, involving the Relevant Parties, whose outcome, in the opinion of the Board, would materially and adversely affect the Company's business, prospects, performance, operations, financial position, reputation or cash flows; or
- (iv) Additional threshold: there are any findings or observations arising out of any of the inspections by the Securities and Exchange Board of India or by any other regulator in or outside India, which are outstanding.

It is clarified that for the purpose of this Policy, pre-litigation notices received by the Relevant Parties from third parties (excluding those notices issued by governmental, statutory, regulatory, judicial, quasi-judicial or taxation authorities or notices threatening criminal action) shall, in any event, not be considered as outstanding litigation and evaluated for materiality, until such time that Relevant Parties are impleaded as defendants in litigation proceedings before any judicial/arbitral forum or unless decided otherwise by the board of directors of the Company.

#### **Materiality criteria for the Group Companies**

Any outstanding litigation involving the Group Companies 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 adverse effect on the financial position, business, operations, performance, prospects, or reputation of the Company.

### **C. Identification of 'material' creditors**

#### *Requirement:*

As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents and on the website of the Company for outstanding dues to creditors (except banks and financial institutions from whom the Company has availed financing facilities) and MSMEs as follows:

- (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 Offer 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 Offer Documents; and
- (iii) complete details about outstanding dues to material creditors along with the name and amount involved for each such material creditor (as per (i) above) 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, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents, if the amounts due to such creditor exceeds 5% of the restated consolidated total trade payables of the Company as of the end of the latest financial period covered in the restated consolidated financial statements disclosed in the Offer Documents.

**D. Material Acquisition/Merger/Investment in another body corporate**

- i. The consideration for the acquisition, merger, or investment in another body corporate **exceeds 5% of the total assets** of the company on a **consolidated basis**, as per the latest audited financial statements prior to acquisition, merger or investment; or
- ii. The **Board of Directors** considers the specific transaction to be material.

**GENERAL**

It is clarified that the Policy is solely for the purpose of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents, and should not be applied towards any other purpose, including for disclosure of material information by listed entities pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The Policy shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other regulatory or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI through its observations on the Offer Documents, or disclosures that may arise from any investor or other complaints.

This Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time. All other capitalised terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Documents.