



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

SONASELECTION INDIA LIMITED

Registered Office: 18th K M Stone, Chittorgarh Road,
Hamirgarh, Bhilwara, Rajasthan, India, 311025

Tel: 01482-2286043

Email ID: cs@sonaselection.com

Web: www.sonaselection.com

CIN: U17299RJ2022PLC079631

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

A. INTRODUCTION

This Policy has been formulated to define the materiality for identification of outstanding material litigation, identification of group companies and outstanding dues to material creditors in respect of Sonaselection India 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 from time to time ("**SEBI ICDR Regulations**").

B. APPLICABILITY AND OBJECTIVE

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

The Board of Directors of the Company ("**Board**") at their meeting held on 28th October, 2025 discussed and approved this Materiality Policy. This Materiality Policy shall be effective from the date of approval of this Materiality Policy by the Board.

The Company has adopted this Materiality Policy for identification and determination of: (i) material creditors; (ii) group companies and (iii) material litigations pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the issue documents.

In this Materiality Policy, the term "**Issue Documents**" shall mean 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, Mumbai ("**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 Materiality Policy shall have the same meanings ascribed to such terms in the Issue Documents.

In this Materiality 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 MATERIAL CREDITORS, GROUP COMPANIES AND MATERIAL LITIGATIONS:

The Materiality Policy with respect to the identification of the material creditors, group companies and material litigation shall be as follows:

1. IDENTIFICATION OF MATERIAL CREDITORS:

Requirement:

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

- (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 Issue 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 Issue Documents. For outstanding dues to micro, small and medium enterprises (“MSME”) and other creditors, the disclosure will be based on information available with the Company regarding the status of the creditors as MSME 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.; and
- (iii) complete details about outstanding 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 creditors exceed 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 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:

- aggregate amounts due to such MSME creditors; and
- 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 over 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.

2. IDENTIFICATION OF GROUP COMPANIES:

Requirement:

The policy with respect to the identification of the Group Companies of our Company shall be as follows:

As per Regulation 2(1)(t) of the SEBI ICDR Regulations, Group Companies 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 the applicable accounting standards, and also other companies as considered material by the board of the issuer*”.

Policy on Materiality:

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

- a. such companies (other than promoter) and subsidiary(ies)) with which the relevant issuer company had related party transactions during the period for which financial information is disclosed, as covered under applicable accounting standards, and
- b. any other companies considered material by the Board of Directors of the relevant issuer company.

Accordingly, for (a) above, all such companies (other than our Subsidiary) with which there were related party transactions during the periods covered in the Restated Financial Statement, as covered under the applicable accounting standards, shall be considered as Group Companies in terms of the SEBI (ICDR) Regulations. For the purpose of avoidance of doubt and pursuant to regulation 2(1)(t) of SEBI (ICDR) Regulations, 2018 it is clarified that our promoters and Subsidiary will not be considered as Group Companies.

Those companies disclosed as having related party transactions in accordance with Indian Accounting Standard (“**Ind AS 24**”) issued by the Institute of Chartered Accountants of India, in the Restated Financial Statements of the Company and such companies with which our Company has entered into one or more transactions during the stub period ended June 30, 2025 and Fiscals ended 2025, 2024 and 2023 if any, the monetary value of which individually or cumulatively exceeds 10% of the total revenue of our Company, as per the Restated Financial Statements shall also be considered as group companies of the Company.

All such companies which the Board has deemed to be material to be considered as Group Companies.

Accordingly, based on the parameters outlined above, our Company has identified group companies namely-

1. Sona Styles Limited
2. Sona Processors India Limited
3. Sona Texpab Private Limited
4. Starnet Real Estate and Projects Limited

3. IDENTIFICATION OF MATERIAL LITIGATION:

Litigation involving Relevant Parties

(a) All outstanding criminal proceedings (including matters which are at the FIR stage even if no cognizance has been taken by any court);

(b) All outstanding actions (including show cause notices) by regulatory authorities and statutory authorities, as well as any disciplinary action including any penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years preceding the relevant Issue Document (including outstanding action).

(c) All outstanding claims related to direct and indirect tax matters involving all Relevant Parties in a consolidated manner, giving the number of cases and total amount involved. In the event any tax claim in relation to any Relevant Party involves an amount exceeding the threshold proposed in the point (d) below, individual disclosures of such tax claims will be included; and

(d) Details of any other pending litigation (including arbitration or other civil proceedings), involving the Relevant Parties which are determined to be material as per the policy defined by the board of directors of the Company.

For purposes of (d) above, all outstanding litigation or arbitration proceedings (other than litigations covered under (a) to (c) above) involving the Relevant Parties shall be disclosed, where the value or expected impact in terms of value, exceeds the lower of the following:

(i) two percent of turnover, as per the latest annual restated financial statements included in the Issue Documents of the Company;

(ii) two percent of net worth, as per the latest annual restated financial statements included in the Issue Documents of the Company, except in case the arithmetic value of the net worth is negative;

or

(iii) five percent of the average of absolute value of profit or loss after tax, as per the last three annual restated financial statements included in the Issue Documents of the Company.

(e) where the value or expected impact in terms of value is not quantifiable or is lower than the threshold specified in (d) above, for any other outstanding litigation or arbitration proceedings or any proceedings under the Insolvency and Bankruptcy Code, 2016, as amended, but the outcome of any such pending proceedings may have a material bearing on the business, operations, performance, prospects or reputation of the Company or where a decision in one case is likely to affect the decision in similar cases even though the value or expected impact in terms of value in the individual cases may not exceed the materiality threshold.

Pre-litigation notices received by the Relevant Parties from third parties (excluding notices from governmental, statutory, regulatory, judicial, quasi-judicial or tax authorities or notices threatening criminal action) shall not unless otherwise decided by our Board, be evaluated for materiality until such persons are impleaded as defendants or respondents in proceedings before any judicial forum, arbitrator, tribunal or governmental authority.

Litigation in relation to the Key Managerial Personnel and Senior Management

In terms of the SEBI ICDR Regulations, the Company is required to disclose all criminal proceedings involving key managerial personnel and senior management and also the actions by regulatory authorities and statutory authorities against such key managerial personnel and senior management in the Offer Documents.

Litigation involving Group Companies

Under the SEBI ICDR Regulations, any litigation involving the group companies is required to be disclosed if it has a material impact on the Company. All Group Companies will identify pending litigation (in the certificates to be issued by them) involving such companies which are considered material by the respective Group Company and which, in their view may have a material impact on the Company. Accordingly, based on the review of the certificates provided by the Group Companies, the Board shall consider such outstanding litigation involving the Group Companies as material, which are material from the perspective of Company's business, operations, financial results, prospects or reputation irrespective of the value or expected impact in terms of value in such litigation. Having received details of such litigation from the Group Companies, the Company (acting through its Board) will determine which of such identified litigation may have a material impact on the Company.

D. AMENDMENT

The Managing Director of the Company in consultation with the Board of Directors 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.
