

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

A. INTRODUCTION

Securities Exchange Board of India (“SEBI”), *vide* its notification dated August 14, 2015, notified the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations (Fourth Amendment) Regulations, 2015 (“**4th Amendment Regulations**”) whereby SEBI (i) modified the definition of the ‘group companies’; (ii) modified the disclosure requirements pertaining to litigation involving the issuer company, its directors, its subsidiaries (if any), its promoters and its group companies; and (iii) modified the disclosure requirement pertaining to the outstanding dues to creditors. Accordingly, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (“**SEBI Regulations**”) stands amended to this extent.

B. OBJECTIVE

In view of the 4th Amendment Regulations, the Board of Directors (“**Board**”) of Cochin Shipyard 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:

- (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.

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

In terms of the 4th Amendment Regulations, our Company is required to disclose certain matters in relation to its “*group companies*” in the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus. The SEBI Regulations define “group companies” as:

“The words “group companies”, wherever they occur, shall include such companies as covered under applicable accounting standards and also other companies as considered material by the board of the issuer.”

In the opinion of our Board, “*group companies*” and “*Related Parties*” shall be companies/entities as defined under the applicable Accounting Standards (being Accounting Standard -18) and also other companies considered material by our Board.

Identification of Material Creditors

In terms of the 4th Amendment Regulations, our Company is required to disclose in the Draft Red Herring Prospectus / Red Herring 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 Red Herring Prospectus / Red Herring Prospectus / Prospectus.

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 per cent (5.00%) of trade payables as per the last audited financial statements of the Company .

Identification of Material Litigation

In terms of the 4th Amendment Regulations, our Company is required to disclose in the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus all outstanding: (i) criminal proceedings; (ii) actions by statutory or regulatory authorities; (iii) taxation matters (indirect and direct taxes); and (iv) other pending material litigation, involving our Company, our directors, our promoters and our group companies.

1. For the purposes of determining outstanding material litigation(s) involving our Company in (iv) above, our Board noted that the profit after tax of our Company as per the last audited financial statements, for the entire financial year.

Our Board believes that five per cent (5.00%) of the profit after tax as per the latest audited financial statement, for the entire financial year, is the appropriate threshold for determining material litigation and has identified as material litigation matters on the following parameters:

For outstanding litigation which may, or may, not have any impact on the future revenues of our Company:

- (a) where the aggregate amount involved in such individual litigation exceeds five per cent (5.00%) of the profit after tax as per the latest audited financial statement, for the entire financial year;
- (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 may not exceed five per cent (5.00%) of the profit after tax and amount involved in all of such cases taken together exceeds five per cent (5.00%) of the profit after tax as per the latest audited financial statement , for the entire financial year; and

- (c) outstanding litigation which may not meet the parameters set out in (a) or (b) above, but if such litigation has an adverse outcome, it would materially and adversely affect the operations or financial position of our Company.
2. For the purposes of determining material litigation(s) involving our Directors in (iv) 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 24th January 2017.

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.