



IBL FINANCE LIMITED

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Singanpore Causeway Road, Surat – 395004, Gujarat.

MATERIALITY POLICY

INTRODUCTION

This document has been formulated to define the Materiality Policy for identification of

- (i) Outstanding material litigation involving **IBL Finance Limited** (“**Company**”), its directors and promoters;
- (ii) Material companies to be considered as Group companies; and
- (iii) Material creditors of the Company

in terms of the disclosure requirements under Part A of the 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**”).

The Board of Directors (“**Board**”) of the Company at their meeting held on 21ST June, 2023 discussed and approved this policy. This policy shall be effective from 21st June, 2023.

DEFINITIONS

In this Policy, the term

- (i) “**Issue Documents**” shall mean the Draft Prospectus and the Prospectus, and any addendum or corrigendum thereto 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 (“**SEBI**”), the Registrar of Companies, Ahmedabad and/or the stock exchanges where the equity shares of the Company are proposed to be listed, and any / or other regulatory authorities, as applicable,
- (ii) “**Restated Financial Information**” shall mean the restated financial information of our Company, as at the financial years ended March 31, 2023, 2022 and March 31, 2021, comprising the restated statement of assets and liabilities as at financial years ended March 31, 2023, 2022, and 2020 together, with the statement of significant accounting policies and other explanatory information referred to as “Restated Financial Information”, derived from our audited financial statements as at financial years ended March 31, 2023, 2022, March 31, 2021 prepared in accordance with Ind AS and restated by the Company in accordance with the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, relevant provisions of the SEBI ICDR Regulations, and the Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the ICAI.

I. MATERIALITY POLICY FOR LITIGATION

In terms of the SEBI ICDR Regulations, the Company is required to disclose the following pending litigation(s) involving itself, its subsidiary(ies), its directors and its promoters:

- (i) All criminal proceedings
- (ii) All actions by statutory and / or regulatory authorities
- (iii) Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five (5) financial years including outstanding action;
- (iv) Taxation claims: Separate disclosures as regards claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount,
- (v) Other pending litigation/arbitration proceedings: As per the policy of materiality defined by the Board and disclosed in the Issue Documents and / or in accordance with the materiality policy framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose outstanding litigation/defaults which (a) may have a material impact which is qualitative though not quantitative and (b) may not be material at present, but may have a material impact in the future.

For the purposes of determining material litigation / arbitration proceedings as mentioned in point (iv) and (v) above, the following criteria shall apply:

Any pending litigation / arbitration proceedings (other than pending litigations mentioned in points (i) to (iv)) involving the Company, its subsidiaries, its promoters or its directors shall be considered “*material*” for the purposes of disclosure in the Issue Documents, if:

- (i) The aggregate monetary claim made by or against the Company, its promoters and / or its directors, (individually or in the aggregate), in any such pending litigation / arbitration proceeding is equal to or exceeds, an amount which is lesser of: i. two percent of turnover, as per the last audited financial statements of the Company; ii. two percent of net worth, as per the last audited financial statements of the Company, except in case the arithmetic value of the net worth is negative; iii. five percent of the average of the absolute value of profit or loss after tax, as per the last three audited financial statements of the Company; derived from the most recently completed fiscal year as per the Restated Financial Information included in such Issue Documents;
- (ii) Any such litigation wherein a monetary liability is not quantifiable, or which may not meet the threshold as specified in (i) above, but the outcome of which could, nonetheless, have a material adverse effect on the business, operations, performance, prospects, financial position or reputation of the Company, irrespective of the amount involved in such litigation; or
- (iii) Litigation where the decision in one litigation is likely to affect the decision in similar litigation, even though the amount involved in an individual litigation may not exceed an amount which is lesser of: i. two percent of turnover, as per the last audited financial statements of the Company; ii. two percent of net worth, as per the last audited financial statements of the Company, except in case the arithmetic value of the net worth is negative; iii. five percent of the average of the absolute value of profit or loss after tax, as per the last three audited financial statements of the Company, derived from the most recently completed fiscal year as per the Restated Financial Information, included in such Issue Documents.

Further, pre-litigation notices received by the Company, its promoters, its directors or a group company (collectively the “**Relevant Parties**”) from third parties (excluding those notices issued by statutory / regulatory / tax authorities or notices threatening any criminal action) shall, unless otherwise decided by the Board, not be considered a material litigation until such time that the relevant party is impleaded as a defendant in proceedings before any judicial / arbitral forum. Further, FIRs initiated against the Company, its directors, and its promoters, shall be disclosed in the Issue Documents.

II. MATERIALITY POLICY FOR IDENTIFICATION OF GROUP COMPANIES

In terms of the SEBI ICDR Regulations, the term ‘*group companies*’ includes

- (i) such companies (other than promoter(s) with which there were related party transactions, during the period for which financial information is disclosed in the relevant Issue Documents, as covered under the applicable accounting standards, and
- (ii) any other companies as considered material by the Board of the Company.

Accordingly, for (i) above, all such companies (other than promoters and subsidiaries) with which there were related party transactions during the period covered in the Restated Financial Information, Financial Statements and included in the Issue Documents, shall be considered as ‘*group companies*’ in terms of the SEBI ICDR Regulations.

In addition, for the purposes of (ii) above, a company (other than promoter(s) and subsidiary(ies) and the companies covered under (i) above) shall be considered “material” and will be disclosed as a ‘Group Company’ in the Issue Documents if (a) it is a member of the promoter group of the Company in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, and (b) has entered into one or more transactions with the Company in the most recent period of the Restated Financial Information and included in the Issue Documents, that cumulatively exceed 10% of the total revenue from operations of our Company for the last completed financial year covered in the Restated Financial Information.

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

III. MATERIALITY POLICY FOR IDENTIFICATION OF MATERIAL CREDITORS

In terms of SEBI ICDR Regulations, the Company shall make the following disclosures in the Issue Documents for outstanding dues to creditors:

- (i) Based on the Materiality Policy adopted by the Board and as disclosed in the Issue Documents, details of the Company's creditors, including the consolidated number of creditors and the aggregate amount involved; and
- (ii) Information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved.

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 Offer Documents.

For the purposes of identification of '*material creditors*', in terms of point (i) above, a creditor of the Company, shall be considered material for the purpose of disclosure in the Issue Documents, if amounts due to such creditor is equal to or in excess of 3% of the trade payables of the Company as per the Restated Financial Information of the most recent period.

GENERAL

It is clarified that the policy is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Issue Documents and should not be applied towards any other purpose.

This policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time. Any subsequent amendment / modification to the SEBI ICDR Regulations and / or any other laws in this regard shall automatically apply to this policy. The provisions of applicable laws shall prevail over this policy, in case of any conflict between them.