

MATERIALITY POLICY

Introduction

This document has been formulated to define the policy for identification of (i) material litigation involving Chemspec Chemicals Limited (the “**Company**”), its Directors, and its Promoters; (ii) material companies to be considered as Group Companies; and (iii) the material creditors of the Company, (together, the “**Policy**”), in terms of 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**”).

This Policy shall be effective from the date of its approval by the Board of Directors.

In this Policy, the term “**Offer Documents**” shall mean the Draft Red Herring Prospectus, the draft of the red herring prospectus, the Red Herring Prospectus and the Prospectus (along with any addenda or corrigenda thereto), as applicable, to be filed with the Securities and Exchange Board of India (“**SEBI**”), the Registrar of Companies or the stock exchanges where the equity shares of the Company are proposed to be listed, and any other regulatory authorities, as applicable; and “**Restated Financial Statements**” shall mean the restated financial information of the Company, as is disclosed in the relevant Offer Document, together with the summary statement of significant accounting policies, and other explanatory information thereon derived from the relevant audited financial statements, prepared in accordance with the Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (read with the Companies (Indian Accounting Standards) Rules, 2015, as amended) and restated in accordance with the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time.

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 Directors and its Promoters in the Offer Documents:

- (i) All criminal proceedings;
- (ii) All actions by statutory and/or regulatory authorities;
- (iii) Taxation proceedings - separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and
- (iv) Other pending litigations/arbitration proceedings - as per the policy of materiality defined by the Board of Directors and disclosed in the Offer Documents.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose: (a) any disciplinary action (including a penalty) imposed by SEBI or any of the stock exchanges against the Promoters in the five financial years preceding the date of the relevant Offer Document, including any outstanding action; and (b) outstanding litigation involving

any of the Group Companies, which may have a material impact on the Company, as applicable.

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

For the Company

For the purposes of point (iv) above, any outstanding litigation/arbitration proceedings involving the Company shall be considered “*material*” for the purposes of disclosure in the Offer Documents if:

- (i) The aggregate monetary claim made by or against the Company (individually or in aggregate), in any such pending litigation / arbitration proceeding is equal to or in excess of 5% of profit after tax or 1% of the total revenue from operations of our Company, whichever is lower, derived from the most recently completed fiscal year as per the Restated Financial Statements; or
- (ii) the outcome of such litigation, including any litigation under the Insolvency and Bankruptcy Code, 2016, as amended, irrespective of any amount involved in such litigation or wherein a monetary liability is not quantifiable, could have a material adverse effect on the position, business, operations, prospects or reputation of the Company.

For the Promoters and Directors

For the purposes of point (iv) above, any outstanding litigation/arbitration proceedings involving the Promoters or any of the Directors 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 position, business, operations, prospects or reputation of the Company.

Further, pre-litigation notices received by the Company, the Promoters, Directors or a Group Company (collectively the “**Relevant Parties**”) from third parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action) shall, unless otherwise decided by the Board of Directors, not be considered as material litigation for the purposes of point (iv) above, until such time the Relevant Party is impleaded as a defendant in proceedings before any legal/arbitral forum.

II. Materiality policy for Group Companies

In terms of the SEBI ICDR Regulations, the term ‘group companies’ includes (i) such companies (other than promoter(s) and subsidiary(ies)) with which the issuer company had related party transactions during the period for which financial information is disclosed in the offer document, as covered under the applicable accounting standards, and (ii) any other companies as considered material by the board of directors of the issuer.

Accordingly, for (i) above, all such companies with which the Company had related party transactions during the period covered in the Restated Financial Statements, shall be considered as ‘Group Companies’, in terms of the SEBI ICDR Regulations.

In addition, for the purposes of point (ii) above, the policy on identification of any other 'material' companies for consideration as 'Group Companies' (other than those covered under the schedule of related party transactions as per the Restated Financial Statements), is as set out below.

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: such company (a) is a member of the Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations and (b) has entered into one or more transactions with the Company during the last completed full financial year and the most recent period (if applicable) of the Restated Financial Statements, which, individually or cumulatively in value, exceeds 10% of the total revenue of the Company as per the Restated Financial Statements of the last completed full financial year and the relevant stub period, as applicable.

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

III. Materiality policy for identification of material creditors

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

- (i) based on the policy on materiality adopted by the Board of Directors and as disclosed in the Offer Documents, details of the Company's creditors, including the consolidated number of creditors and the aggregate amount involved; and
- (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.

Additionally, complete details about outstanding overdues to material creditors along with the name and amount involved for each such material creditor (as per (i) above) shall be disclosed on the webpage of the Company with the relevant web link included in the Offer Documents, as applicable.

For the purposes of 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 Offer Documents, if amounts due to such creditor exceeds 5% of the trade payables of the Company as per the Restated Financial Statements of the most recent financial period.

General

It is clarified that the Policy is solely for the purpose of disclosure requirements in Offer Documents prescribed under the SEBI ICDR Regulations and should not be applied towards any other purpose.

The Policy shall be without prejudice to any disclosure requirements which may be prescribed by SEBI and/ or any 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.

The Policy shall be subject to review/changes as may be deemed necessary and in accordance with applicable law from time to time.

All capitalised terms used but not specifically defined in this Policy shall have the same meaning as ascribed to them in the Offer Documents.