

PATEL CHEM SPECIALITIES LIMITED
POLICY ON IDENTIFICATION CREDITORS AND MATERIAL LITIGATION

1. INTRODUCTION:

This materiality policy ("**the Policy**") has been formulated for the identification of group companies, outstanding litigation and outstanding dues to creditors in respect of PATEL CHEM SPECIALITIES 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 ("**SEBI ICDR Regulations**"), which requires the policy of materiality to be disclosed in the Draft Offer Document and Offer Document.

This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company ("**Board**"). In this Policy, the terms "Draft Offer Document" and "Offer Document" shall have the meaning assigned to it under SEBI ICDR Regulations.

2. APPLICABILITY AND OBJECTIVE:

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

The Board of Directors of the Company ("Board") at their meeting held on 18.11.2024 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 Policy for identification and determination of: (i) material creditors; (ii) material litigations, details of which shall be disclosed in the Offer Documents to be filed by the Company in connection with the proposed initial public offering of its equity shares with the SME Platform of the BSE Limited, Securities and Exchange Board of India, Registrar of Companies, Ahmedabad ("RoC").

3. INTERPRETATION

In this Policy, unless the context otherwise requires:

1. words denoting the singular shall include the plural and vice versa.
2. references to the words "include" or "including" shall be construed without limitation.

4. POLICY PERTAINING TO THE IDENTIFICATION OF 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:

A. LITIGATIONS

Requirement:

The Company shall disclose all the litigations involving the Company or its directors or its promoters or its group companies or its subsidiaries, whichever is applicable, relating to:

- i. All criminal proceedings;
- ii. All actions by statutory/ regulatory authorities;
- iii. Claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount;
- iv. Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action;
- v. All other pending material litigations – As per the policy of materiality defined by the Company.

Policy on Material Litigation:

- a. Other than litigations mentioned in points (i) to (iv) above, any other pending litigation involving the Company or its directors or its promoters or its subsidiaries, whichever is applicable and required to be disclosed under law, would be considered “**material**” for the purpose of disclosure in the Draft Offer Document and Offer Document if the aggregate amount involved in such individual litigation is in excess of 10% of the consolidated revenue of the Company or 25% of the profits before tax of the Company (whichever is lower) of the last audited financial statements of the Company; as per the last audited financial statements or any such litigation, an adverse outcome of which would materially and adversely affect our Company’s business, prospects, operations, financial position or reputation, irrespective of the amount involved in such litigation.

OR

- b. if, in such litigation the monetary liability is not quantifiable, or which does not fulfill the threshold specified in (a) above, but the outcome of which could, nonetheless, have a material adverse effect on the Business, Operations, Performance, Prospects, Financial position or reputation of our Company.

It is clarified that the above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and / or such other governmental authority with respect to listed companies and that the above policy on materiality is solely from the perspective

of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and should not be applied towards any other purpose.

Furthermore, the above policy on materiality shall be without prejudice to the disclosure requirements prescribed under the Companies Act, 2013 and the rules thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the Draft Offer Document and Offer Document.

B. OUTSTANDING DUES TO CREDITORS

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Draft Offer Document and Offer Document for outstanding dues to creditors:

- (i) Based on the policy on materiality of the Board of the Company, details of creditors which include the consolidated number of creditors and the aggregate amount involved;
- (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;
- (iii) Complete details about outstanding overdues to material creditors as per (i) and (ii) above along with the name and amount involved for each such material creditor shall disclosed, on the website of the Company with a web link thereto.

Policy on Materiality with respect to outstanding dues to creditors:

The Company shall disclose complete details of outstanding dues to creditors (excluding banks and financial institutions from whom the Company has availed of financial facilities) if the amount due to any one of them exceeds 5% of the trade payables of the Company as per the last audited financial statements of the Company included in the Draft Offer Document and Offer Document.

It is clarified that the above policy on materiality of creditors shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other applicable authority with respect to listed companies and the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and the website of the Company and should not be applied towards any other purpose.

5. 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.

This Policy was approved in 18.11.2024 Board Meeting.