

MATERIALITY POLICY

1. Introduction

- 1.1 This materiality policy (“**Policy**”) has been formulated for the identification of group companies, outstanding litigation and outstanding dues to creditors of Capital India Finance Limited (“**Company**”), pursuant to the disclosure requirements under Schedule VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“**SEBI ICDR Regulations**”), which require the policy of materiality to be disclosed in the offer document.
- 1.2 This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company (“**Board**”).
- 1.3 In this Policy, the term “**Offer Documents**” shall mean the draft letter of offer and letter of offer to be filed and/or submitted by the Company in connection with the proposed rights issue of its equity shares (“**Issue**”) with the Securities and Exchange Board of India and/or BSE Limited where the equity shares of the Company are listed, as applicable.

All other capitalised terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Documents.

2. Identification of Group Companies

2.1 Requirement

As per the SEBI ICDR Regulations, the term “Group Companies”, is defined as ‘*such companies as covered under the applicable accounting standards and other companies as considered material by the board of the Company*’.

In light of this requirement, subject to paragraph 2.3, the following companies are to be treated as Group Companies of the Company:

- (i) companies disclosed as related parties in accordance with the Accounting Standard – 18 or the Indian Accounting Standard 24, as may be applicable, in the restated consolidated financial statements of the Company for the last 5 (Five) financial years or such time as SEBI may prescribe and any stub period (the “**Relevant Period**”) in respect of which restated financial statements are included in the Offer Documents; and
- (ii) companies considered to be material by the Board, in terms of the policy laid down in paragraph 2.2.

2.2 Policy on materiality

Based on the above-stated definition, for the purposes of paragraph 2.1(ii):

- (i) a company shall be considered ‘material’ and will be disclosed as a ‘Group Company’ in the Offer Documents, if such company:

- is a member of the Promoter Group of the Company in terms of Regulation 2(1)(zb) of the SEBI ICDR Regulations, and has entered into one or more transactions with the Company in the most recent financial year and any stub period (in respect of which restated financial statements are included in the Offer Documents) that, individually or in the aggregate, exceed 10.00% of the total consolidated revenues of the Company, as per the last annual restated consolidated financial statements of the Company; and/ or
- would, subsequent to the Relevant Period, require disclosure in the consolidated financial statements of the Company for subsequent periods as an entity covered under Accounting Standard – 18 or Indian Accounting Standard 24, as may be applicable, in addition to/ other than those companies covered in the schedule of related party relationships in terms of the Accounting Standard – 18 or Indian Accounting Standard 24, as may be applicable, in the restated consolidated financial statements of the Company for the Relevant Period.

2.3 For avoidance of doubt, it is clarified that companies which, subsequent to the Relevant Period have ceased to be related parties of the Company in terms of Accounting Standard – 18 or Indian Accounting Standard 24, as may be applicable, solely on account of there being no significant influence/ control over / by such company in terms of Accounting Standard – 18 or Indian Accounting Standard 24, as may be applicable, (as confirmed by the Board in a resolution), shall not be considered 'Group Companies' for the purpose of disclosure in the Offer Documents.

3. Identification of 'Material' Litigation (excluding criminal proceedings, statutory/regulatory actions and taxation matters)

3.1 Requirement

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following classes of litigation involving the Company, Directors, Promoters, Group Companies and Subsidiaries:

- (i) All criminal proceedings;
- (ii) All actions by statutory/ 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 litigation – As per the policy of materiality defined by the Board and disclosed in the Offer Documents,

3.2 Policy on materiality

Other than litigations mentioned in paragraphs 3.1 (i), (ii) and (iii) above, any other pending litigation involving the Company, its Directors, Promoters, Group Companies and Subsidiaries shall be considered "material" for the purpose of disclosure in the Offer Documents if:

- (i) the aggregate monetary amount of claim involved, whether by or against the Company, its Directors, Promoters, Group Companies and Subsidiaries, in any such pending litigation is in excess of 5% of consolidated revenue of the Company, as per the last annual restated audited consolidated financial statements of the Company; or
- (ii) such pending litigation is material from the perspective of Company's business, operations, financial results, prospects or reputation, irrespective of the amount involved in such litigation.

It is clarified that pre-litigation notices (other than those issued by governmental, statutory or regulatory authorities) received by the Company, Subsidiaries, Directors, Promoters or the Group Companies shall not be considered as litigation until such time that any of the Company, Subsidiaries, Directors, Promoters or Group Companies, as the case may be, is made a party to proceedings initiated before any court, tribunal or governmental authority.

4. Identification of 'Material' Creditors

4.1 Requirement

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

- (i) based on the policy on materiality of the Board, and as disclosed in the Offer Document, complete disclosure for such creditors;
- (ii) consolidated information on outstanding dues to small scale undertakings and other creditors, separately giving details of number of cases and amount involved; and
- (iii) complete details about outstanding dues to creditors as per (i) and (ii) above shall be disclosed on the webpage of the Company with a web link thereto in the Offer Documents.

4.2 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 Offer Documents if amounts due to such creditor exceed 10% of the trade payables or Rs 50,00,000/- (Rupees Fifty lakhs) whichever is higher as per the last annual restated audited standalone financial statements of the Company.

5. General

This Policy shall be subject to review/changes as may be deemed necessary by the Board/ Audit Committee and in accordance with regulatory amendments from time to time.
