



ChemconSpecialityChemicals Limited  
Block No 355, Manjusar KunpadRoad,Village Manjusar,  
Taluka Savli, Vadodara, Gujarat-391775, India  
CIN:U24231GJ1988PLC011652



**CHEMCON SPECIALITY CHEMICALSLIMITED**

**Materiality Policy**



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## **Introduction**

This document has been formulated to define the materiality policy for identification of (i) outstanding litigation involving Chemcon Speciality Chemicals Limited (the “**Company**”) and its Directors and Promoters; (ii) the Group Companies, and (iii) 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 (“**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, Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus.

### **I. Materiality policy for litigation**

In terms of the SEBI ICDR Regulations, the Company shall disclose the following litigations involving itself, its Directors and its Promoters:

- (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 litigations - 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 the Securities and Exchange Board of India (“**SEBI**”) or stock exchanges against any of the Promoters in the five financial years preceding the relevant Offer Document, including any outstanding action; and (b) litigation involving the Group Companies, which may have a material impact on the Company, as applicable.

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

#### **For Company**

For the purposes of point (iv) above, any other pending litigation involving the Company shall be considered “material” for the purposes of disclosure in the Offer Documents, if:

- (a) The aggregate monetary amount of claim by or against the Company in any such pending litigation proceeding, is in excess of(i)5% of the Company’s profit after tax as per the Restated



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Financial Statements for the most recent fiscal year ; or (ii) 1% of the total income of the Company as per the Restated Financial Statements for the most recent fiscal year, whichever is lower,; or

- (b) any such litigation where in a monetary liability is not quantifiable, or which does not fulfil the threshold as specified in(a)above, but the out come of which could nonetheless have a material adverse effect on the position, business, operations, prospects or reputation of the Company.

*For Directors and Promoters*

For the purposes of point (iv) above, any other pending litigation involving the Directors and/or Promoters shall be considered “material” if the outcome of such litigation could have a material adverse effect on the position, business, operations, prospects or reputation of the Company, irrespective of the amount involved in such litigation, for the purposes of disclosure in the Offer Documents.

Further, pre-litigation notices received by the Company, the Promoters, a Director 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 material until such time that the Relevant Party is impleaded as defendant in litigation proceedings before any judicial forum.

**II. Materiality policy for Group Companies**

In terms of the SEBI ICDR Regulations, group companies, include (i) such companies (other than promoter(s) and subsidiary(ies)) with which the relevant issuer company had related party transactions during the period for which financial information is disclosed in the relevant Offer Document, as covered under the applicable accounting standards, and (ii) any other companies as considered material by the Board of Directors.

Accordingly, all such companies covered under the schedule of related party transactions as per the Restated Financial Statements shall be considered as Group Companies. In addition, 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:

- (i) is a member of the Promoter Group; and
- (ii) has entered into one or more transactions with the Company during the last completed financial year, which individually or cumulatively in value exceeds 10% of the total revenue of



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the Company for that financial year as per the Restated Financial Statements;

Information about Group Companies identified based on the above approach shall be disclosed in the Offer 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 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 a web link thereto included 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 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 at the end 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 Offer Documents 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 such 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 regulatory amendments from time to time.

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