

POLICY ON IDENTIFICATION OF MATERIAL CREDITORS AND MATERIAL LITIGATIONS

A. INTRODUCTION

This Policy has been formulated to define the materiality for identification of outstanding material litigation and outstanding dues to material creditors in respect of Mittal Sections Limited and its Directors (the "**Company**"), pursuant to the disclosure requirements under Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as may be amended from time to time ("**SEBI ICDR Regulations**").

B. APPLICABILITY AND OBJECTIVE

This policy shall be called the 'Policy on Identification of Material Creditors and Material Litigations' ("**Materiality Policy**").

The Board of Directors of the Company ("**Board**") at their meeting held on 13th January, 2025 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 Materiality Policy for identification and determination of: (i) material creditors; and (ii) material litigations pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the offer documents.

In this Materiality Policy, the term "**Issue Documents**" shall mean the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus to be filed by the Company in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India, Registrar of Companies, Gujrat ("**ROC**") and stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

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

In this Materiality Policy, unless the context otherwise requires:

- (i) Words denoting the singular shall include the plural and vice versa;
- (ii) References to the words "include" or "including" shall be construed without limitation.

C. POLICY PERTAINING TO THE IDENTIFICATION OF MATERIAL CREDITORS AND MATERIAL LITIGATIONS

The Materiality Policy with respect to the identification of the material creditors and material litigation shall be as follows:

Identification of Material Creditors

Requirement:

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

- (i) Based on the policy on materiality defined by the Board of Directors of the Company and as disclosed in the Issue Document, disclosure for such 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; and
- (iii) Complete details about outstanding over 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 Issue Documents.

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 Issue Documents, if amounts due to such creditors exceed 5% of the total consolidated trade payables of the Company as per the latest restated financial statements of the Company, as disclosed in the Issue Documents.

Disclosures in the Issue Documents regarding material creditors

- (i) For creditors identified as ‘material’ based on the abovementioned Policy, information on outstanding dues to such material creditors shall be disclosed in the Issue Documents along with the details of the material creditors, which include the consolidated number of creditors and amount involved on an aggregate basis, as of the date of the latest restated financial statements included in the Issue Documents.
- (ii) For outstanding dues to micro, small and medium enterprises (“MSMEs”), the disclosure will be based on information available with the Company regarding the status of the creditors as MSMEs as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report. Information for such identified MSMEs creditors shall be provided in the Issue Documents in the following manner:
 - aggregate amounts due to such MSME creditors; and
 - aggregate number of such MSME creditors. as of the date of the latest restated financial statements included in the Issue Document.
- (iii) Complete details about outstanding over dues to the material creditors along with the name and amount involved for each such material creditor shall be disclosed on the website of our Company with a web link in the Issue Documents.

The Company shall make relevant disclosures before the Audit Committee/ Board of Directors as required by applicable law from time to time.

Identification of Material Litigation

In terms of the SEBI ICDR Regulations, the Company is required to disclose the following pending litigation(s) involving itself, its Directors, its Promoters and its subsidiaries ("Relevant Parties") in the Offer Documents:

- (i) All outstanding criminal proceedings including matters which are at first information report stage where no/ some cognizance has been taken by any court;
- (ii) All outstanding actions by statutory and/or regulatory authorities including notices by such authorities and any findings/observations or warning letters of any of the inspections by SEBI or any other regulatory authority involving the Relevant Party(ies), which are material and which need to be disclosed or non-disclosure of which may have bearing on the investment decision in relation to the Offer shall be disclosed in the Offer Documents including penalties imposed by them;
- (iii) Disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years including outstanding action;
- (iv) All outstanding claims related to direct and indirect taxes for all the relevant parties, in a consolidated manner giving details of number of cases and total amount involved in such cases provided that if the amount involved in any such claims exceeds the materiality threshold, such matter(s) shall be disclosed on an individual basis; and
- (v) Other pending civil litigation/arbitration proceedings involving relevant parties in accordance with the policy of materiality defined by the Board and disclosed in the Offer Documents.
- (vi) Outstanding litigation involving Group Companies, if any which may have a material impact on the Company, as applicable.

Further, all outstanding labour law cases of a criminal nature shall also be disclosed in the Offer Documents.

For the purposes of determining outstanding material litigations as mentioned in point 1(iv) above, the following shall be considered 'material' for the purposes of disclosure in the Offer Documents:

Any pending civil / arbitration proceedings involving the Relevant Parties, shall be considered 'material' for the purposes of disclosure in the Offer Documents, if:

a) aggregate monetary amount of claim/dispute amount/liability involved whether by or against the Relevant Parties in any such pending litigation is in excess of the lower of the following is above a materiality threshold of (a) 2% of the net worth of the Company as per the last audited Restated Consolidated Financial Information, except in case the arithmetic value of the net worth is negative or, (b) 2% of turnover of the Company as per the last audited Restated Consolidated Financial Information and (c) 5% of the average of absolute value of profit or loss after tax of the Company as per the last three audited Restated Consolidated Financial Information ("Materiality Threshold"); or (ii) such matters which may have a significant effect on the business, operations, financial condition, prospects, reputation, results of operations or cash flows of the Company irrespective that the amount involved in such litigation (including any litigation under the Insolvency and Bankruptcy Code, 2016) may not meet the materiality threshold in (i) above, or such matters where the aggregate monetary amount of claim/dispute amount/liability involved is not quantifiable. This will also include civil litigations where the decision in one case is likely to affect the decision in similar cases even though the amount involved in an individual litigation may not exceed the materiality threshold.

b) any such proceedings wherein a monetary liability is not quantifiable, or which does not fulfil the threshold as specified in (a) above, but the outcome of such a proceeding could have a material adverse effect on the financial position, business, operations, prospects, or reputation of the Company, in the opinion of the Board; or

c) The decision in such a proceeding is likely to affect the decision in similar proceedings, such that the cumulative amount involved in such proceedings exceeds the Threshold, even though the amount involved in an individual proceeding does not exceed the Threshold.

D. AMENDMENT

The Managing Director of the Company in consultation with the Board of Directors shall have the power to amend any of the provisions of this Materiality Policy, substitute any of the provisions with a new provision or replace this Materiality Policy entirely with a new Policy. This Materiality Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.