

POLICY ON DETERMINATION OF MATERIALITY

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 Vyara Tiles 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 as amended (the "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.

APPLICABILITY AND OBJECTIVE

This policy shall be called as the "Policy on Identification of Material Creditors and Material Litigations" (herein after referred to as "Materiality Policy").

The Company has adopted this Policy for identification and determination of:

- (i) Material creditors;
- (ii) Material litigations and
- (iii) Group Companies pursuant to the provisions of SEBI ICDR Regulations,

In this Policy, the term "Offer Documents" shall mean the draft red herring prospectus, the red herring prospectus and the prospectus, including any amendments, supplements or corrigenda thereto, 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, the Registrar of Companies, Ahmedabad and/or stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

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.

POLICY PERTAINING TO THE IDENTIFICATION OF GROUP COMPANIES, 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. Group Companies

Requirement:

As per the requirements of the SEBI (ICDR) Regulations, "Group Companies", wherever the term occurs, shall include such Companies (other than promoter(s) and subsidiary/ subsidiaries) with whom there have been related party transactions, reported during the period for which the financial information is required to be disclosed in the Draft Offer Document and Offer Document as per SEBI (ICDR), Regulations, 2018 as covered under the applicable accounting standards, and also other companies as considered material by the Board.

Further, pursuant to the resolution passed by the Board for the purpose of disclosure in relation to the Group Companies, a company shall be considered as a material group company and disclosed as the same if such company fulfils the conditions as mentioned below: -

Policy on Material Group Companies:

The following companies shall be considered to be material Group Company (ies) under the Draft Offer Document and Offer Document:

- (i) According to Regulation 2(1)(pp) of the SEBI (ICDR) Regulations, such a company is part of our Promoter Group;
- (ii) Our company has entered into one or more transactions with such a company in the preceding fiscal or audit period, as the case may be, which individually or cumulatively in value exceeds 10% of the revenue from operations of the Company for the last completed Fiscal as per the Restated Financial Statements.

For the avoidance of doubt, 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 applicable 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.

B. 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 or regulatory authorities;
- (iii) All Claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and

- (iv) Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action;
- (v) Other pending litigations based on lower of threshold criteria mentioned below:-
 - (i) As per the policy of materiality defined by the board of directors of the issuer and disclosed in the offer document; or
 - (ii) Litigation where the value or expected impact in terms of value, exceeds the lower of the following:
 - (a) two percent of turnover, as per the latest annual restated consolidated financial statements of the issuer; or
 - (b) two percent of net worth, as per the latest annual restated consolidated financial statements of the issuer, except in case the arithmetic value of the net worth is negative; or
 - (c) five percent of the average of absolute value of profit or loss after tax, as per the last three annual restated consolidated financial statements of the issuer.

All criminal proceedings involving key managerial personnel and senior management of the issuer and also the actions by regulatory authorities and statutory authorities against such key managerial personnel and senior management of the issuer shall also be disclosed.

Policy on Material Litigation:

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, the aggregate amount

- (a) if the aggregate monetary amount of claim made by or against the entity or person in any such pending proceeding exceeds (i) 2% of turnover, as per the latest annual Restated Financial Statements of our Company; or (ii) 2% of net worth, as per the latest annual Restated Financial Statements of our Company, except in case the arithmetic value of the net worth is negative; or (iii) 5% of the average of absolute value of profit or loss after tax, as per the last three annual Restated Financial Statements of our Company, whichever is lower;
- (b) where monetary liability is not quantifiable or does not exceed the threshold mentioned in point (i) above, the outcome of any such pending proceedings may have a material bearing on the business, operations, performance, prospects, financial position or reputation of our Company; or

- (c) any claim/dispute involving the Relevant Parties where the decision in one litigation is likely to affect the decision in similar litigations, even though the amount involved in an individual litigation may not exceed the amount equivalent to 5% of the average of absolute value of profit or loss after tax, as per the last three annual Restated Financial Statements of our Company. The Company shall disclose all the outstanding litigation involving the criminal proceedings of the key managerial personnel and senior management and also the actions by regulatory authorities and statutory authorities against such key managerial personnel and senior management.

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.

C. Outstanding dues to creditors

Requirement:

As per the requirements of SEBI (ICDR) Regulations, 2018 the Company shall make relevant disclosures in the Draft Offer Document and Offer Document for outstanding dues to creditors:

- (a) 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;
- (b) Consolidated information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved;
- (c) 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.

AMENDMENT

The Board 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.
