

## MATERIALITY POLICY

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### Introduction

This document has been formulated to define the materiality policy for identification of (i) outstanding material litigation involving **Bharat Bhushan Finance & Commodity Brokers Ltd** (the "**Company**"), and its directors and promoters; (ii) the 'material' Group Companies (such group companies identified in accordance with this Policy (as defined below) and (iii) the 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, as amended ("**SEBI ICDR Regulations**").

The board of directors of the Company at their meeting held on 24<sup>th</sup> October 2024, discussed and approved this Policy. 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, the Red Herring Prospectus and the Prospectus, and any addendum or corrigendum thereto to be filed and/or submitted by the Company in connection with the proposed Issue of its equity shares on Right Basis with the Securities and Exchange Board of India ("**SEBI**"), the Registrar of Companies and/or the stock exchanges where the equity shares of the Company are proposed to be listed, and any other regulatory authorities, as applicable.

### I. Materiality of Outstanding Litigations involving the Company and its group companies

In terms of SEBI ICDR Regulations, the Company is required to disclose the following pending litigation involving itself, its subsidiaries, its directors and its promoters:

- i. all criminal proceedings;
- ii. all actions by regulatory authorities and statutory authorities;
- iii. disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action;
- iv. claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount;
- v. Other pending litigations - As per the policy of materiality defined by the board of directors of the issuer and disclosed in the offer document.

**For the purposes of determining material litigations /arbitration proceedings the following criteria shall apply:**

- a. the aggregate amount involved in such individual litigation exceeds 15.00 % of Gross profit of the Company, as per the last audited financial statements; or
- b. Where the decision in one matter is likely to affect the decision in similar matters, even though the amount involved in an individual matter may not exceed the materiality threshold as specified in (i) above.
- c. litigations whose outcome could have a material impact on the business, operations, prospects or reputations of the Company and the Board or any of its committees shall

have the power and authority to determine the suitable materiality thresholds for the subsequent financial years on the aforesaid basis or any other basis as may be determined by the Board or any of its committees.

## **II. Materiality policy for Identification of Group Companies**

As per the SEBI (ICDR) Regulations, 2018, for the purpose of identification of Group Company, our Company has considered those companies as our Group Company with which there were related party transactions as per the Restated Financial Statements of our Company and other Companies as considered material by our Board.

For the purpose of disclosure in relation to "Group Company" in connection with the offer, a company shall be considered material and disclosed as a Group Company if the Company is member of the Promoter Group and our Company has entered into one or more transactions with such company in last restated financial statement exceeding 15.00% of total revenue of our Company for the last Restated Financial Statements.

## **III. Material Outstanding Dues to 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 defined by the board of directors of the issuer, 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 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.

For identification of Material Outstanding Dues to Creditors, 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 creditor exceeds 15% of the total consolidated trade payables as at the end of the latest period included in the restated financial statements included in the Issue Documents.

### **General**

The Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.