

PRINCE[®]
PIPING SYSTEMS



MATERIALITY POLICY

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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 Prince Pipes and Fittings 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 and should not be applied for any other purpose.
- 1.2 This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company (“**Board**”). The Policy shall be without prejudice to any disclosure requirements prescribed under the Companies Act, 2013 and the rules thereunder, and any disclosure requirements which may be prescribed by the Securities and Exchange Board of India and/ or such other relevant authority with respect to listed companies.
- 1.3 In this Policy, the term “**Offer Documents**” shall mean the draft red herring prospectus, the red herring prospectus, the prospectus, and any addendum or corrigendum thereto, to be filed and/or submitted 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, the or stock exchanges where the equity shares of the Company are proposed to be listed, and any other regulatory authority, as applicable.

All 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 issuer.*

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

- (i) companies disclosed as related parties in accordance with the applicable accounting standard, *i.e.* Accounting Standard – 18 and Accounting Standard - 24, as applicable (“**Related Parties**”) in the restated financial statements of the Company for the last six financial years and any stub period (in respect of which restated financial statements are included in the relevant Offer Documents) (the “**Relevant Period**”), irrespective of whether the Company has had any transaction with the related party; and
- (ii) companies considered to be material by the Board, in terms of the policy laid down in paragraph 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 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 cumulatively exceed [10.00]% of the total revenue of the Company for the preceding financial year, as covered in the restated financial statements of the Company; and/ or
 - (i) is not disclosed as a Related Party in the restated financial statements of the Company for the Relevant Period, and (ii) would, for a period subsequent to the Relevant Period, require disclosure in the financial statements of the Company for such subsequent period, as Related Parties.

2.2 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 and Accounting Standard-24, as applicable, shall not be considered as '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, and Group Companies:

- (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, and Group Companies shall be considered "material" for the purpose of disclosure in the Offer Documents if:

- (i) the monetary amount of claim by or against the Company, its Directors, Promoters, and Group Companies in any such pending litigation is in excess of [1.00]% of the profit after tax of the Company, for the preceding financial year, as covered in the restated financial statements of the Company; or

- (ii) in the opinion of the Board, such pending litigation is material from the perspective of Company's business, operations, prospects or reputation, irrespective of the amount involved in such litigation.

It is clarified that apart from as set forth in this paragraph, the disclosures on outstanding litigation in the Offer Documents will also include disclosures as specified in the Companies Act, 2013 and rules made thereunder. Further, pre-litigation notices received by the Company, Directors, Promoters or the Group Companies shall not be considered as litigation until such time that any of the Company, Directors, Promoters or Group Companies, as the case may be, is made a party to litigation proceedings initiated before any judicial forum.

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 for outstanding dues to creditors:

- (i) based on the policy on materiality of the Board, and as disclosed in the Offer Document, 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 (except banks and financial institutions from whom the Company has availed financing facilities), 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 5% of the Company's trade payables for the previous fiscal year, as per the restated financial statements of the Company.

5. General

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