

MATERIALITY POLICY

INTRODUCTION

This policy (the “**Policy**”) has been formulated to define the respective materiality policies in respect of Airox Technologies Limited (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 amended (the “**SEBI ICDR Regulations**”), in respect of the following:

- A. Identification of material companies to be disclosed as Group Companies;
- B. Identification of material litigation (excluding criminal proceedings, actions by statutory/regulatory authorities, disciplinary actions against the promoters and taxation matters); and
- C. Identification of material outstanding dues to creditors.

APPLICABILITY

The board of directors of the Company (the “**Board**”) at their meeting held on 29th September, 2022 discussed and approved this Policy. This Policy shall be effective from the date of its approval by the Board.

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 initial public offering of its equity shares with the Securities and Exchange Board of India (“**SEBI**”), Registrar of Companies, Maharashtra, at Mumbai and/or 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 Policy shall have the meanings ascribed to such terms in the Offer Documents.

A. Identification of material companies to be disclosed as Group Companies

Requirement:

The SEBI ICDR Regulations define “group companies” as “*such companies (other than promoter(s) and subsidiary/ subsidiaries) with which there were related party transactions, during the period for which financial information is disclosed, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer*”.

Therefore, as per the requirements of the SEBI ICDR Regulations, Group Companies shall include:

- (i) companies with which there were related party transactions, during the period for which financial information will be disclosed in the Offer Documents, as covered under the Indian Accounting Standard (Ind AS) 24; and
- (ii) companies as considered material by the Board.

Policy on Materiality:

With respect to point (ii) above, for the purpose of disclosure in the Offer Documents, a company (other than the companies covered under the schedule of related party transactions) shall be considered “material” and will be disclosed as a ‘Group Company’ in the Offer Documents if it is a member of the Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, and has entered into one or more related party transactions during the period after the last completed financial year and the stub period, if any, which individually or in the aggregate, exceed 10% of the total revenue of the Company as included in the Offer Documents until the date of filing of the Offer Documents, will be included as group companies.

B. Identification of material litigation

Requirement:

As per the requirements of the SEBI ICDR Regulations, the Company shall disclose the following outstanding litigations involving the Company, its promoters and directors (collectively the “**Relevant Parties**”):

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

Further, as per the requirements of the SEBI ICDR Regulations, the Company shall also disclose such outstanding litigations involving the Group Companies which has a material impact on the Company.

Policy on materiality:

Other than the litigations mentioned in points (i) to (iv) above, for the purpose of point (v) above, any pending litigation/ arbitration proceedings involving the Relevant Parties would be considered ‘material’ for the purpose of disclosure in the Offer Documents, if:

- (a) the monetary claim made by or against the Relevant Parties in any such pending litigation/ arbitration proceeding is equivalent to or above 1% of the profit after tax of the Company for Fiscal 2022, as per the last full year restated financial statements included in the Offer Documents; or
- (b) any such litigation wherein a monetary liability is not determinable or quantifiable, or which does not fulfil the threshold as specified in (a) above, or such pending matters which involve the Relevant Parties but are not falling in (a) above but the outcome of which could, nonetheless, have a material adverse effect on the business, operations, performance, prospects, financial position or reputation of the Company; or
- (c) any such litigation where the decision in one case is likely to affect the decision in similar matters such that the cumulative amount involved in such matters exceeds the threshold as specified in (a) above, even though the amount involved in an individual matter may not exceed the threshold as specified in (a) above.

Further, tax proceedings which individually involve an amount greater than the materiality thresholds as defined in (a) above, will also be disclosed individually.

It is clarified that for the purpose of this Policy, pre-litigation notices received by the Relevant Parties and Group Companies from third parties (excluding governmental/statutory/regulatory/ judicial authorities or notices threatening criminal action) shall, in any event, not be considered as litigation until such time that Relevant Parties are impleaded as defendants in proceedings initiated before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced.

The above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed under the Companies Act, 2013 and the rules thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the Offer Documents or by SEBI and/or such other applicable 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. In this regard, it is clarified that the above policy on materiality 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.

C. Identification of material outstanding dues to creditors

Requirement:

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

- (i) based on the policy on materiality defined by the Board, details of the creditors which include the consolidated number of creditors and the aggregate amount involved, will be disclosed in the Offer Documents;

- (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 will be disclosed in the Offer Documents; and
- (iii) complete details about outstanding 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 Offer Documents.

Policy on materiality:

For the purpose of identification of material creditors for disclosure in the Offer Documents in terms of point (i) above, a creditor of the Company shall be considered to be material, if the amounts due to such creditor is equivalent to or in excess of 5% of the total trade payables of the Company as of the end of the most recent period covered in the restated financial statements included in the Offer Documents.

GENERAL

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