



MANGAL ELECTRICAL INDUSTRIES LIMITED

(Formerly known as Mangal Electrical Industries Private Limited)

MATERIALITY POLICY

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1. Introduction

1.1 This materiality policy (“**Policy**”) has been formulated for the identification of material outstanding litigation and outstanding dues to creditors of Mangal Electrical Industries Limited (“**Company**”), pursuant to the disclosure requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**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 outstanding criminal proceedings, outstanding regulatory and statutory authorities, disciplinary actions including penalty imposed by SEBI or Stock Exchanges against the promoter in the last five financial years preceding the date of the relevant Issue Document including outstanding actions and outstanding taxation matters) involving the Company, Directors, Promoters, Key Managerial Personnel, Senior Management and Group Company(s), as applicable; and
- c) Identification of material outstanding dues to creditors.

1.2 This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company (“**Board**”).

1.3 In this Policy, the term “**Issue Documents**” shall mean the Red Herring Prospectus and the Prospectus (along with any addenda or corrigenda thereto), as applicable, 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**”), the Registrar of Companies, Rajasthan at Jaipur and/or stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

1.4 All capitalised terms not specifically defined in this Policy shall have the same meaning ascribed to such terms in the Issue Documents.

2. Identification of Group Companies

2.1. Requirement

As per the SEBI ICDR Regulations, the term “Group Companies”, is defined to include “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”.

In light of this requirement, subject to paragraph 2.2, the following companies are to be treated as Group Companies of the Company:

- (i) such companies (other than promoter(s)) with which the Company has had related party transactions with, during the period for which financial information is disclosed in the relevant Issue Document (the “Relevant Period”), as covered under Indian Accounting Standard (Ind AS) 24 (collectively, “**Accounting Standards**”); and
- (ii) companies considered to be material by the Board, in terms of the policy laid down in paragraph 2.2.

2.2. Policy on materiality

Based on the above-stated definition, for the purposes of paragraph 2.1 (ii), a company shall be considered 'material' and will be disclosed as a 'Group Company' in the Issue Documents, if a company 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 transactions with the Company (on a consolidated basis) in the most recent financial year and/or the relevant stub period (covered in the Restated Financial Information included in the Issue Documents) that individually or cumulatively exceed 5.00% of the consolidated revenue of the Company, as per the Restated Financial Information of the Company for the most recent completed financial year included in the Issue Documents and/ or the relevant stub period.

Information about Group Companies identified based on the above approach shall be disclosed in the Issue Documents in accordance with the SEBI ICDR Regulations.

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 outstanding litigation involving the Company, Directors, Promoters, Key Managerial Personnel and Senior Management:

- (i) All outstanding criminal proceedings (including matters which are at FIR stage even if no cognizance has been taken by any court);
- (ii) All outstanding actions (including all penalties, and show cause notices) by statutory and/ or regulatory authorities (including all penalties and notices) including all actions by statutory and/or regulatory authorities against the Key Managerial Personnel and Senior Management of the Company;
- (iii) Disciplinary action including penalty imposed by SEBI or any of the stock exchanges against any of the Promoters in the last five financial years preceding the date of the relevant Issue Document, including any outstanding action;
- (iv) Taxation proceedings – all outstanding claims, separately for direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount involved in such cases (with separate disclosures regarding material claims related to direct or indirect taxes). 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 litigation (including civil litigation or arbitration proceedings) – As per the policy of materiality defined by the Board and disclosed in the Issue Documents.

3.2. Policy and materiality

Other than litigations mentioned in paragraphs 3.1(i), (ii), (iii), (iv) and (v) above, any other pending litigation involving the Company, its Directors and Promoters shall be considered “material” for the purpose of disclosure in the Issue Documents if:

- (i) the aggregate monetary amount of claim involved, whether by or against the Company, Directors, Promoters, Key Managerial Personnel, or Senior Management, in any such pending litigation is in excess of the lower of (a) 2% of the net worth of the Company as at the end of the latest financial period as per the Restated Financial Information, except in case the arithmetic value of the net worth is negative, or (b), 2% of turnover of the Company for the latest financial year as per the Restated Financial Information or (the average of absolute value of profit/loss after tax of the Company as per the last three financial year as per the Restated Financial Information (the "**Materiality Threshold**"));
- (ii) pending litigations where the decision in one case is likely to effect the decision in similar cases such that the cumulative amount involved in such cases exceeds the Materiality Threshold, even though the amount involved in an individual litigation may not exceed the Materiality Threshold; or
- (iii) such pending litigation the outcome of which is material from the perspective of the Company's business, operations, financial results, prospects or reputation, irrespective that the amount involved in such litigation may not meet the Materiality Threshold or that the monetary liability of such litigation is not quantifiable.

Further, pre-litigation notices (other than those issued by governmental, statutory, or regulatory authorities, tax authorities or notices threatening initiation of criminal action) received by the Company, Directors or Promoters shall not be considered as material litigation until such time that any of the Company, its Directors or Promoters, as the case may be, is made a party to 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.

3.3. Group Companies' litigation:

In addition to the litigation specified in 3.1 and 3.2, in accordance with the SEBI ICDR Regulations, the Company is also required to disclose any pending litigation involving its group companies (as identified under Paragraph 2 above, hereinafter “Group Companies”), which has a material impact on the Company. Accordingly, the Board/IPO Committee shall consider such outstanding litigation involving the Group Companies as material, which are material from the perspective of Company's business, operations, financial results, prospects or reputation, irrespective of the amount involved in such litigation.

4. Identification of 'Material' Creditors

4.1. Requirement

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

- (i) based on the policy on materiality of the Board details of creditors which includes consolidated number of creditors and the aggregate amount involved;

- (ii) consolidated information on outstanding dues to micro, small and medium enterprise and other creditors, separately giving details of number of cases and amount involved; and
- (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 outstanding dues to MSMEs and other creditors, the disclosure will be based on the information available with the Company regarding the status of the creditors as MSME 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.

4.2. Policy and materiality

For identification of material creditors, in terms of point (i) and (iii) 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 creditor exceed 5.00% of the restated consolidated outstanding dues (i.e. 'trade payables') of the Company as of the end of the most recent financial period covered in the Restated Financial Information.

5. General

It is clarified that the Policy is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Issue Documents and should not be applied towards any other purpose, including for disclosure of material information by listed entities pursuant to the Securities and Exchange Board of India. (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

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.

This policy shall be without prejudice to any additional disclosure requirement which may be prescribed by SEBI, the Stock Exchanges, or any regulatory or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI through its observations on the Issue Documents, or disclosures that may arise from any investor or other complaints.

All capitalised terms used but not specifically defined in this Policy shall have the same meaning as ascribed to them in the Issue Documents.

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