

## **POLICY ON IDENTIFICATION MATERIALITY CREDITORS AND LITIGATIONS**

This policy ("**Policy**") has been formulated to define the materiality policy for identification of group companies, outstanding litigation and outstanding dues to creditors in respect of Qualitek Labs Limited ("Company") pursuant to the requirements under Schedule VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended from time to time) ("**SEBI ICDR Regulations**").

The policy has been adopted by the Board.

### **Applicability and Objective**

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, details of which shall be disclosed in the Offer Documents.

"**Offer Documents**" means the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus 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, Registrar of Companies, Delhi ("ROC") and stock exchange(s) 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 same meanings ascribed to such terms in the Offer Documents. In this Policy, unless the context otherwise requires:

- (i) Words denoting the singular shall include the plural and vice versa.
- (ii) References to the words "include" or "including" shall be construed without limitation.

### **Identification of 'Material' Group Companies:**

*Requirement:*

As per the requirements of the SEBI ICDR Regulations, Group Companies include such companies as covered under the applicable accounting standards (i.e. Indian Accounting Standard 24 ("Ind AS 24"), as applicable) as per the restated consolidated financial statements for three (3) financial years and any subsequent stub period preceding the date of the Offer Document, which is included in such Offer Document and also any other companies as considered material by the board of directors of the Company.

*Policy on materiality:*

A company shall be considered material and disclosed as a Group Company if a material adverse change in such company, can lead to a material adverse effect on the Company, and its revenues and profitability. Other than companies which constitute part of the related parties of the Company in accordance with the applicable accounting standards (Ind AS 24) as per the latest audited and restated consolidated financial statements of the Company included in the Offer Documents.

For avoidance of doubt, it is hereby clarified that the Subsidiaries shall not be considered as Group Companies for the purpose of disclosure in the Offer Documents.

**Identification of 'Material' Litigation (excluding criminal proceeding, statutory/regulatory actions and taxation matters:**

*Requirement:*

As per the requirements of SEBI ICDR Regulations, the Company shall disclose all the litigations involving the Company/ its directors/ promoter/ group companies in relation to:

- (i) All criminal proceedings;
- (ii) All actions by statutory / regulatory authorities;
- (iii) Taxation - Separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount;
- (iv) Other pending litigations - As per the policy of materiality defined by the board of the issuer and disclosed in the Offer Documents.

*Policy on materiality:*

Other than litigations mentioned in points (i) to (iii) above, any other pending litigation involving the Company, its directors, promoter and group companies shall be considered "material" for the purpose of disclosure in the Offer Documents if -

- a. the potential financial liability/monetary claim by or against Qualitik Labs Limited, its directors, promoter and group companies in any such pending matter(s) is in excess of 5% value of the Profit After Tax of the Company, as per the last restated consolidated financial statements of the Company;
- b. any such litigation wherein the monetary liability is not quantifiable which is or is expected to be material from the perspective of the Company's business, operations, prospects or reputation.
- c. notices received from third parties (excluding statutory/regulatory/tax authorities or notices threatening criminal action) shall, not be evaluated for materiality until such time that any of the Company, group companies are impleaded as defendants in litigation proceedings before any judicial forum.

For the purposes of determining outstanding material litigation involving the directors of the Company, all outstanding litigations where an adverse outcome would materially and adversely affect the business, operations, financial position or reputation of the Company, shall be identified as material litigation.

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 Offer Documents 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 Offer Documents.

**Identification of 'Material' Creditors: -**

*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 Documents, 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;
- (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.

*Policy on materiality:*

For identification of material creditors, such creditors of the Company, shall be considered to be material for the purpose of disclosure in the Offer Documents and on the website of the Company, if amount dues to any one of them exceeds 5% of the outstanding trade payables as per the latest restated standalone financial statements of the Company.

**General:**

The above policies shall be subject to review/changes by the Board as may be deemed necessary and in accordance with regulatory amendments, from time to time..

