

VMS TMT LIMITED | MATERIALITY POLICY

INTRODUCTION

This policy (“**Policy**”) has been formulated to define the respective materiality policies of VMS TMT Limited (“**Company**”), pursuant to the disclosure requirements under Schedule VI 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**”), in respect of the following:

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

APPLICABILITY

The board of directors of the Company (“**Board**”) at their meeting held on 18th March, 2025 discussed and approved this Policy. This Policy shall be effective from the date of approval of Policy 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 addenda or corrigenda 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, Ahmedabad at Gujarat and/or the 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 same 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(ies)) 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 is disclosed in the Offer Document(s); and
- (ii) companies as considered material by the Board under the Policy on Materiality (as defined below).

Policy on Materiality:

With respect to point (ii), for the purpose of disclosure in the Offer Documents, a company shall be considered material and shall be disclosed as a ‘Group Company’ in the Offer Documents, if such company (a) is a member of the promoter group of the Company (as defined in the Regulation 2 (1) (pp) of the SEBI ICDR Regulations); and (b) with which there were transactions in the most recent financial year and stub period, if any, (in respect of which restated financial statements are included in the Offer Document), which individually or in the aggregate, exceed 10% of the profit after tax of the Company of last annual audited financial statements, shall also be classified as group companies.

B. Identification of ‘material’ litigation (excluding disciplinary actions against the promoters, criminal proceedings, statutory/regulatory actions and taxation matters)

Requirement:



As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following pending litigation involving the Company, its Directors, and Promoters (collectively, “**Relevant Parties**”):

- (i) All criminal proceedings (including matters which are at FIR stage whether cognizance has been taken or not by any court or judicial authority) including all criminal proceedings involving Key Managerial Personnel and Senior Management of the Company;
- (ii) All actions 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 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; and
- (v) Other pending litigations based on lower of threshold criteria mentioned below –
 - a) As per the policy of materiality defined by the Board of Directors and disclosed in the Offer Documents; or
 - b) Litigation where the value or expected impact in terms of value involved in such proceeding exceeds the lower of: (A) 2% of the turnover of the Company for the latest financial year as per the restated consolidated financial information; or (B) 2% of the net worth of the Company as at the end of the latest recent financial period as per the restated consolidated financial information, except in case the arithmetic value of the net worth is negative; or (C) 5% of the average of the absolute value of the profit or loss after tax of the Company for the last three financial years as per the restated consolidated financial information (“**Threshold**”);

For the purposes of determining litigations as mentioned in point (v) (a) above, any pending litigation involving the Relevant Parties shall be considered material for the purpose of disclosure in the Offer Documents, if:

- a) Litigation where the value or expected impact in terms of value involved in such proceeding exceeds the lower of: (A) 2% of the turnover of the Company for the latest financial year as per the restated financial information; or (B) 2% of the net worth of the Company as at the end of the latest recent financial period as per the restated financial information, except in case the arithmetic value of the net worth is negative; or (C) 5% of the average of the absolute value of the profit or loss after tax of the Company for the last three financial years as per the restated financial information (“**Threshold**”); or
- b) the outcome of such proceeding could have a material adverse effect on the business, operations, performance, results of operations, prospects, financial position or reputation of the Company, irrespective of whether the amount involved in such proceeding exceeds the Threshold or not or whether the monetary impact is not quantifiable in such proceeding; or
- c) pending litigations where the decision in one litigation is likely to affect the decision in similar litigations which could either individually or collectively have a material adverse effect on the ~~business, performance, prospects, operations, financial position or reputation of the Company~~, shall be disclosed in the Offer Documents, even though the amount involved in an individual litigation may not exceed the Threshold.

Further, as regards outstanding litigations involving the Group Companies, only such outstanding litigations shall be disclosed that may have a material impact on the Company.

Pre-litigation notices received by the Relevant Parties from third parties (excluding governmental, statutory or regulatory 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.

Group Companies:

In relation to legal proceedings involving the group companies, a certificate will be obtained in relation to any pending litigation involving the group companies, the outcome of which could have a material impact on the Company or the Issue. Further, the board of the Company would pass a resolution taking on record such certificate provided by the group companies.

C. Identification of 'material' creditors

Requirement:

1. As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents and on the website of the Company 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 identification of material creditors (except banks and financial institutions from whom the Company has availed financing facilities), in terms of point (1) 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 exceeds 5% total outstanding dues (that is 'trade payables') of the Company as of the end of last annual audited financial statements.

GENERAL

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

