

# **GSB FINANCE LIMITED**

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**POLICY ON IDENTIFICATION OF MATERIAL  
GROUP COMPANIES, MATERIAL CREDITORS AND  
MATERIAL LITIGATIONS**

## **1. PREFACE**

This Policy has been formulated to define the materiality for identification of group companies, outstanding litigation and outstanding dues to creditors in respect of GSB Finance Limited (the “Company”), pursuant to the disclosure requirements under the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (“SEBI ICDR Regulations”).

## **2. APPLICABILITY AND OBJECTIVE**

The Company has adopted this Policy for identification and determination of:

- (i) material creditors;
- (ii) material litigations and
- (iii) material Group Companies

pursuant to the provisions of SEBI ICDR Regulations, 2018, details of which shall be disclosed in 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, Chhattisgarh (“RoC”) and stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

All capitalised terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Documents.

## **3. IDENTIFICATION OF MATERIAL GROUP COMPANIES**

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 the above requirement, the following companies are to be treated as Group Companies:

- a. Companies disclosed as related parties in accordance with the applicable accounting standard, i.e. AS-18 and Ind AS-24, as applicable 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.
- b. Companies considered to be ‘material’ by the Board. A company shall be considered ‘material’ and will be disclosed as a ‘Group Company’ in the Offer Documents, if such company:

- i. Forms part of the Promoter Group in terms of Regulation 2(1)(pp) of the SEBI (ICDR) Regulations; and
- ii. Our Company has entered into one or more transactions with such Company in preceding fiscal or audit period as the case may be exceeding ten percent (10.00%) of total revenue of the Company as per Restated Financial Statements.

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.

#### **4. IDENTIFICATION OF MATERIAL CREDITORS**

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.

For identification of material creditors, any creditor of the Company shall be considered to be material, if the amount due to any one of them exceeds five percent (5.00%) of trade payables as per the last audited financial statements of the Company.

#### **5. IDENTIFICATION OF MATERIAL LITIGATIONS**

As per the requirements of SEBI ICDR Regulations, the Company shall disclose all the litigation involving the Company, its subsidiaries, joint ventures, directors and group companies related 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; and
- IV. Other pending litigations - as per policy of materiality defined by the Board and disclosed in the Offer Documents.

Other than litigations I. to III. mentioned 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:

- 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
- 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.

## **6. AMENDMENTS**

The Board may subject to applicable laws, amend any provision / substitute any provision with the new provision / replace the policy entirely with the new policy, based on the recommendations of the Committee.

## **7. SCOPE AND LIMITATION**

In the event of any conflict between the provisions of this Policy, and the provisions of Companies Act, 2013 / applicable SEBI Regulations / any other statutory enactment, the provisions of latter shall prevail over the policy.

## **8. DISSEMINATION**

This Policy shall be disclosed as may be required under the provisions of Companies Act, 2013, and any other SEBI Regulations or Circulars, subject to applicability from time to time.

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