

JAKHARIA FABRIC LIMITED

MATERIALITY POLICY

INTRODUCTION

Pursuant to the disclosure requirements under Schedule VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time (“SEBI ICDR Regulations”), which states that the policy of materiality should be disclosed in the offer documents, Jakharia Fabric Limited (“Company”) has formulated this Materiality Policy (“Policy”) in order to determine the following:

1. Material Group Companies
2. Material Outstanding Litigations involving the Company, its Directors, its Promoters and its Group Companies.
3. Materiality for the purpose of disclosure of outstanding dues owed to small scale undertaking and other creditors.

APPLICABILITY

The Board of Directors (“Board”) of the Company has, at their meeting held on April 27, 2018, 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” means the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus to be filed and/or submitted by the Company in accordance with the SEBI ICDR Regulations and the Companies Act, 2013 and the applicable rules thereunder, in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India, the 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 same meanings ascribed to such terms in the Offer Documents.

INTERPRETATION

In this Policy, unless the context otherwise requires:

1. Words denoting the singular shall include the plural and vice versa.
2. References to the words “include” or “including” shall be construed without limitation.

IDENTIFICATION OF GROUP COMPANIES

Requirement

As per the SEBI ICDR Regulations, the term “Group Companies”, wherever they occur, shall include such companies as covered under the applicable accounting standards i.e., Accounting Standard 18 (“AS 18”) issued by the Institute of Chartered Accountants of India and also any other companies as considered material by the Board of the Company.

In light of the aforesaid requirement, the following companies are to be treated as Group Companies of the Company:

1. Companies disclosed as related parties in accordance with AS 18, in the Restated Summary Statements of the Company for the last five financial years and any stub period (in respect of which Restated Summary Statements are included in the relevant Offer Documents) and
2. Companies considered to be material by the Board of Directors, in terms of the policy laid down in the subsequent paragraph.

Policy on Materiality

For the purpose of disclosure in the Offer Documents, a company shall be considered material and will be disclosed as a ‘Group Company’ in the Offer Documents if:

1. Such company forms part of the Promoter Group of the Company in terms of Regulation 2(1)(zb) of the SEBI ICDR Regulations and
2. Companies with whom transactions entered into exceed five percent (5%) or more of the profit after tax, total revenue or net worth (whichever is lower) of our Company as per the Restated Summary Statements as of and for that financial year.

IDENTIFICATION OF MATERIAL LITIGATION

Requirement

SEBI ICDR Regulations mandate that the Offer Documents must contain disclosures pertaining to the following classes of litigation involving the Company, its directors, its promoters and its group companies/entities:

1. All criminal proceedings.

2. All actions by statutory/regulatory authorities.
3. Taxation proceedings - Separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount.
4. Other pending material litigation - As per the policy of materiality defined by the Board of Directors and disclosed in the Offer Documents.

Further, the Board of the Company shall define a materiality policy to determine the other pending material litigations in relation to its proposed initial public offering. The Board has to consider and approve the materiality policy based on which the said outstanding litigations shall be disclosed in the Offer Documents.

Policy on Materiality

For the purposes of determining outstanding material litigation(s) in 4 above, the Board believes that one percent (1%) of the profit after tax/revenue/net worth (whichever is lower) of the Company, as on March 31 of the last completed financial year as per the audited standalone restated financial statements of the Company is the appropriate threshold and shall be considered material for the purpose of disclosure in the Offer Documents if:

1. The aggregate monetary amount involved in such litigation exceeds one percent (1.00%) of the profit after tax / revenue / net worth (whichever is lower) of the Company, as on March 31 of the last completed financial year as per the audited standalone restated financial statements.
2. All other outstanding litigation which may not meet the specific threshold and parameters as set out in 1 above, but an adverse outcome of which would materially and adversely affect the business, operations, financial position or reputation of our Company.

It is clarified that for the purposes of the above, pre-litigation notices (other than those issued by statutory or regulatory authorities) received by the Company, Promoters, Directors or Group Company shall, unless otherwise decided by the Board, not be considered as litigation until such time that the Company or any of its Promoters, Directors or its Group Company, as the case may be, is impleaded as a defendant in litigation proceedings before any judicial forum.

IDENTIFICATION OF MATERIAL OUTSTANDING DUES TO 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:

1. Based on the policy on materiality of the Board, and as disclosed in the Offer Document, disclosure for such creditors;
2. Consolidated information on outstanding dues to small scale undertakings and other creditors, separately giving details of number of cases and amount involved; and
3. Complete details about outstanding dues to creditors as per 1 and 2 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, any creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents, if amount dues to any one of them exceeds five percent (5%) of the Company's total trade payables as per Restated Summary Statements for a full financial year included in the Offer Documents.

Disclosures in the Offer Documents regarding material creditors, small scale undertakings, micro, small or medium enterprises and other creditors:

1. For creditors identified as material based on the above mentioned policy (Material Creditors), the total number of Material Creditors and consolidated amounts due to such Material Creditors will be made in the Offer Documents.
2. For outstanding dues to any party which is a small scale undertaking (SSI) or a micro, small or a medium enterprise (MSME), the disclosure will be based on information available with the Company regarding status of the creditor as defined under Section 2 of the Industries (Development and Regulation) Act, 1951 and Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, respectively, each as amended, as has been relied upon by Company's statutory auditors. Consolidated information for such identified SSIs, MSMEs and other creditors (excluding Material Creditors) shall be provided in the Offer Documents in the following manner:
 - a) Aggregate number of entities.
 - b) Consolidated amounts due to such entities.

POLICY SEVERABLE

This policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this policy and shall be of no force and effect, and this policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this policy.

POLICY REVIEW AND DISCLOSURE

In case of any subsequent changes in the Regulations which make any of the provisions in the policy inconsistent with the applicable regulations, the provisions of the regulations would prevail over the policy.

This Policy shall be reviewed by the Board of Directors as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Board. Any changes or modification in the Policy would be approved by the Board of Directors and the decision of the Board in this respect shall be final and binding.