



Grace Renewable Energy Limited

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MATERIALITY POLICY

❖ INTRODUCTION

This policy (“**Policy**”) has been formulated to define the materiality policy for identification of group companies, outstanding litigations and outstanding dues to creditors in respect of Grace Renewable Energy 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**”), which states that the policy of materiality should be disclosed in the offer document.

❖ APPLICABILITY

- a. The board of directors of the Company (“**Board**”) has, at their meeting held on April 05, 2024, discussed and approved this Policy. This Policy shall be effective from the date of approval of policy by the Board.
- b. In this Policy, the term “**Offer Documents**” shall mean the draft Red Herring prospectus/Red Herring Prospectus and the prospectus, including any amendments, supplements or corrigenda thereto, 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, the Registrar of Companies, Kolkata 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.

❖ IDENTIFICATION OF ‘MATERIAL’ GROUP COMPANIES

a. 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 issued by the Institute of Chartered Accountants of India “**Accounting Standard 18**”) and also any other companies as considered material by the Board. The policy on materiality, as stated below, shall be disclosed in the Offer Documents.

b. Policy on materiality

For the purpose of disclosure in the Offer Documents, a entity shall be considered material and will be disclosed as a “Group Company” in the Offer Documents, if subsequent to the last three years (including any stub period in respect of which, financial statements are included in the Offer Documents, such period collectively referred to as the “**Relevant Period**”) would require disclosure in the financial statements of the Company as entities covered under Accounting Standard 18, in addition to/ other than those companies covered and included in the schedule of related party relationships in terms of Accounting Standard 18 in the audited financial statements of the Company for the Relevant Period or any such company(ies) exceeding 10.00% of total revenue of the company as per the last restated audited standalone financial statements of the Company

For avoidance of doubt, it is clarified that any companies which, in the Relevant Period or subsequent to the Relevant Period, have ceased to be related parties of the Company in terms of Accounting Standard 18 solely on account of there being no significant influence/ control over such company in terms of Accounting Standard 18 after the Relevant Period are not being considered as ‘Group Companies’, for the purpose of disclosure in the Offer Documents.

❖ IDENTIFICATION OF ‘MATERIAL’ LITIGATIONS (EXCLUDING CRIMINAL PROCEEDINGS, STATUTORY/REGULATORY ACTIONS AND TAXATION MATTERS)

a. Requirement

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following classes of litigation involving the Company/ Directors/ Promoters / KMP/SMP and Group Companies:

- (i) pending criminal litigation;

- (ii) actions taken by statutory or regulatory authorities;
- (iii) outstanding claims for any direct and indirect tax liabilities;
- (iv) outstanding proceedings initiated against the Company for economic offences;
- (v) defaults or non-payment of statutory dues by the Company;
- (vi) material fraud against the Company in the last five years immediately preceding the year of this Offer Document;
- (vii) inquiry, inspection or investigation initiated or conducted under the Companies Act 2013 or any previous companies' law against the Company during the last five years immediately preceding the year of the Offer Document and if there were prosecutions filed (whether pending or not);
- (viii) fines imposed or compounding of offences for the Company in the last five years immediately preceding the year of Offer Document;
- (ix) litigation or legal action against the Promoter by any ministry or Government department or statutory authority during the last five years immediately preceding the year of Offer Document;

b. Policy of Materiality

Other than litigations mentioned in paragraphs a. (i) to (ix) above, any pending litigation involving the Company, its Directors, its Promoters, KMP, SMP and Group Companies shall be considered as "Material Litigation" for the purpose of disclosure in the Offer Documents if;

Litigation where the value or expected impact in terms of value, exceeds the lower of the following:

- (a) two percent of turnover, as per the latest annual restated consolidated financial statements of the issuer; or
- (b) two percent of net worth, as per the latest annual restated consolidated financial statements of the issuer, except in case the arithmetic value of the net worth is negative; or
- (c) five percent of the average of absolute value of profit or loss after tax, as per the last three annual restated consolidated financial statements of the issuer; or

such pending litigation is material from the perspective of Company's business, operations, prospects or reputation.

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.

❖ IDENTIFICATION OF 'MATERIAL' OUTSTANDING DUES TO CREDITORS

a. 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 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.

b. Policy of Materiality

For identification of material creditors, any creditor of the Company shall be considered as “Material Creditor” for the purpose of disclosure in the Offer Documents, if amount dues to such creditor exceed 10.00% of the Company’s trade payables, as per the last restated audited financial statements of the Company.

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

- (i) For creditors identified as material based on the above-mentioned criteria (“**Material Creditors**”), the total number of Material Creditors and consolidated amounts due to such Material Creditors will be made in the Offer Documents.
- (ii) 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. consolidated amounts due to such entities and
 - b. aggregate number of entities.
- (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.

❖ GENERAL

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