

MATERIALITY POLICY

Introduction

This document has been formulated to define the materiality policy for identification of (1) material litigation involving Unimech Aerospace and Manufacturing Limited (the “**Company**”), its Directors, its Promoters and its Subsidiary (the “**Relevant Parties**”), (2) the material creditors of the Company, and (3) Group Companies, in terms of Regulation 2(1)(t) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the “**SEBI ICDR Regulations**”).

This policy shall be effective from the date of its approval by the board of directors of the Company (the “**Board**”).

In this policy, the term “**Offer Documents**” shall mean the draft red herring prospectus (“**DRHP**”), the red herring prospectus, and the prospectus, including any addendum or corrigendum 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 “**SEBI**”), the Registrar of Companies, Karnataka at Bangalore or the stock exchanges where the equity shares of the Company are proposed to be listed, as applicable; and the term “**Restated Consolidated Financial Information**” shall mean the restated consolidated financial information of the Company included in such Offer Documents.

1. Materiality policy for litigation

In terms of the SEBI ICDR Regulations, the Company is required to disclose the following pending litigation, each involving the Relevant Parties:

- (a) All outstanding criminal proceedings (including matters which are at FIR stage even if no cognizance has been taken by any court);
- (b) All actions (including all penalties and show cause notices) by statutory and / or regulatory authorities;
- (c) Outstanding taxation proceedings - disclosures regarding claims related to direct and indirect taxes, in a consolidated manner, giving details of the number of cases and total amount involved. In the event any tax matters involve an amount exceeding the threshold proposed in A(i) below, in relation to each Relevant Parties, individual disclosures of such tax matters will be included; and
- (d) All other pending litigation or arbitration proceedings - as per the policy of materiality defined by the Board and disclosed in the Offer Documents.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose: (a) any disciplinary action (including a penalty) imposed by SEBI or any of the stock exchanges against any of the Promoters in the five financial years preceding the relevant Offer Documents, including any outstanding action; and (b) outstanding litigation involving the Group Companies, which may have a ‘material impact’ on the Company, as applicable.

Note: The Group Companies should provide a full list of their litigation to the Company, and the Company will identify any litigation involving Group Companies which may have a material impact on the Company.

For the purposes of determining litigation / arbitration proceedings referred to in point (d) above, the following criteria shall apply:

- A. Any pending litigation / arbitration proceedings (other than litigations mentioned in points 1 (a) to (c) above) involving any of the Relevant Parties shall be considered “material” for the purposes of disclosure in the Offer Documents, if:
- (i) the monetary amount involved in such a proceeding exceeds, the lower of (a) 2% of the turnover of the Company as per the Restated Consolidated Financial Information for the preceding financial year; or (b) 2% of the net worth of the Company as per the Restated Consolidated Financial Information as at the end of the preceding financial year; or (c) 5% of the average of the absolute value of the profit/loss after tax as per the Restated Consolidated Financial Information of the preceding three financial years disclosed in the relevant Offer Documents (“**Threshold**”); or
 - (ii) any monetary liability is not quantifiable or does not fulfil the threshold as specified in paragraph A(i) above, but the outcome of which could, nonetheless, directly or indirectly, or together with similar other proceedings, have a material adverse effect on the business, operations, results of operations, prospects, financial position or reputation of the Company, as determined by the Company.

Further, pre-litigation notices received by the Relevant Parties from third parties (excluding those notices issued by statutory/regulatory/tax/judicial/quasi-judicial/administrative authorities or notices threatening criminal action) shall, unless otherwise decided by the Board, not be considered as material litigation, until such time that a Relevant Party is impleaded as a defendant in any proceedings before any judicial / arbitral forum.

2. Materiality policy for identification of material creditors

In terms of the SEBI ICDR Regulations, the Company shall make the following disclosures in the Offer Documents for outstanding dues to creditors:

- (a) based on the policy on materiality adopted by the Board of Directors and as disclosed in the Offer Documents, details of the Company’s creditors, including the consolidated number of creditors and the aggregate amount involved;
- (b) consolidated information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved; and
- (c) a link to the Company’s website wherein details pertaining to the outstanding dues to material creditors along with names and amounts involved for each such material creditor will be hosted.

For the purposes of identification of material creditors, in terms of point (a) 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 is equal to, or in excess of, 5% of the total trade payables on a consolidated basis, of the Company as at the end of the latest financial period included in the Restated Consolidated Financial Information.

3. Materiality policy for identification of Group Companies

In accordance with the SEBI ICDR Regulations, the group companies include (i) companies (other than the promoter and subsidiary(ies) of the issuer company) with which the issuer company had related party transactions, during the period for which financial information will be disclosed in the Offer Documents and (ii) any other companies considered material by the board of directors of the relevant issuer company.

Accordingly, for (i) above, all such companies with which there were related party transactions during the periods covered in the Restated Consolidated Financial Information, as covered under the applicable accounting standards, shall be considered as Group Companies in terms of the SEBI ICDR Regulations.

Further, other than the companies categorized under (i) above, a company (other than promoter and subsidiary of the Company) shall be considered “material” and will be disclosed as a “group company” if such company (a) was classified as a subsidiary in the financials for the periods disclosed in the Offer Document and has since ceased to be a subsidiary, with whom there were related party transactions in the financials included in the Offer Document or (b) such company is a part of the Promoter Group (in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations) with which there were one or more transactions with the Company during the most recent financial year (or relevant stub period, if applicable) in the Restated Consolidated Financial Information of the Company included in the Offer Documents, which individually or in the aggregate, exceed 10% of the consolidated revenue from operations of the Company as per the Restated Consolidated Financial Information of the Company for the most recent financial year.

General

It is clarified that the above-mentioned policies are 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, including for disclosure of material information by listed entities pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The above-mentioned policies shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other regulatory or statutory 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.

The above-mentioned policies shall be subject to review / changes as may be deemed necessary and in accordance with regulatory amendments from time to time.

All other capitalized terms not specifically defined in these policies shall have the same meanings ascribed to such terms in the Offer Documents.