



**SBFC FINANCE LIMITED**  
**MATERIALITY POLICY**

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## **INTRODUCTION**

This policy (the “**Policy**”) has been formulated to define the materiality policies in respect of SBFC Finance Limited (the “**Company**”) and SBFC Home Finance Private Limited (“**Subsidiary**”), pursuant to the disclosure requirements under Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the “**SEBI ICDR Regulations**”), in respect of the following:

- A. Identification of material litigation;
- B. Identification of material outstanding dues to creditors; and
- C. Identification of material companies to be disclosed as Group Companies.

## **APPLICABILITY**

The board of directors of the Company (the “**Board**”) at their meeting held on 3<sup>rd</sup> November, 2022 discussed and approved this Policy. The Policy was further amended by Board at their meeting held on 20<sup>th</sup> March, 2023 and 12<sup>th</sup> July, 2023.

This Policy shall be effective from the date of its approval by the Board and updated from time to time.

In this Policy, the term “**Offer Documents**” shall mean the draft red herring prospectus, the red herring prospectus and the prospectus and 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, 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 meanings ascribed to such terms in the Offer Documents.

### **A. Identification of material litigation**

#### *Requirement:*

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

- (i) individual disclosure of all outstanding criminal proceedings;
- (ii) individual disclosures of all outstanding actions by regulatory authorities and statutory authorities (including any notices by such authorities);
- (iii) consolidated disclosure of all claims related to direct and indirect taxes, giving the number of cases and total amount. Provided that if the amount involved in any such claims exceeds the materiality threshold, such matter(s) shall be disclosed on an individual basis; and
- (iv) for all civil legal proceedings – individual disclosures as per the materiality policy defined by the board of directors of the Company and disclosed in the Offer Documents (materiality thresholds *provided below for each Relevant Party*).

Further, pre-litigation notices (other than those issued by governmental, statutory or regulatory authorities, or taxation authorities or notices threatening criminal action) received by the Company, its Subsidiary, Directors or Promoters from third parties shall not be considered as litigation unless otherwise decided by the Company’s board of directors or until such time that any of the Company, Directors or Promoters, as the case may be, is made a party to proceedings initiated before any court, tribunal or governmental authority, or is notified by any

governmental, statutory or regulatory authority or taxation authority of any such proceeding that may be commenced.

Any disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years including outstanding action as required under SEBI ICDR Regulations will be disclosed in the Offer Documents.

Furthermore, first information reports (“**FIRs**”) and police complaints involving the Company, its Subsidiary, Promoters or Directors shall be disclosed in the Offer Documents.

a. Company

*Monetary threshold:* An amount exceeding 1% of the total consolidated PAT for the latest fiscal year ended March 31 as per the restated financial statements.

*Subjective threshold:* Under this test, such cases whose outcome may have a material bearing on the business, performance, financial position, prospects, reputation and operations of the Company and its Subsidiary (*as determined by the Company, acting reasonably and in good faith*), irrespective of their monetary quantum, will necessitate disclosure. This may include any writ petitions filed involving the Company or similar matters which may have a material bearing on the business of the Company.

We understand that for the financial year ending March 31, 2023, the Company’s consolidated PAT was approximately ₹ 1,497.36 million. 1% of consolidated PAT is approximately ₹ 14.97 million.

Further, as on 12<sup>th</sup> July, 2023 (a) in relation to cheque bounce cases under S.138 of the Negotiable Instruments Act, 1881, we understand that there are **3,819** cases filed by the Company & its Subsidiary; (b) in relation to consumer cases involving the Company & its Subsidiary, we understand that there are **21** cases involving the Company & its Subsidiary; (c) in relation to the arbitration matters initiated by the Company & its Subsidiary, we understand that there are **4190** cases filed by the Company & its Subsidiary having similar factual matrix; and (d) in relation to matters initiated by the Company & its Subsidiary under Section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 with respect to failure of repayment of dues, we understand that there are **73** proceedings filed by the Company & its Subsidiary. Accordingly, the Company will include a clubbed disclosure each for all these categories of cases as on the date of filing of the Offer Documents.

b. Promoters and Directors

Other than the litigations which shall be considered material in terms of (a) above, all outstanding civil litigation involving the promoters and directors of the Company where an adverse outcome would materially and adversely affect Company, would be considered as material and accordingly, each of the directors and promoters, as applicable, shall identify and provide information relating to such outstanding civil litigation involving themselves.

*Subjective threshold:* All outstanding civil litigation against the promoters and directors of the Company where an adverse outcome would materially and adversely affect the business, prospects, performance, operations or financial position or reputation of the Company (*irrespective of the amount involved in such litigation*), would be considered as material for the Company and accordingly, each of the promoters and directors shall identify and provide information relating to such outstanding civil litigation involving themselves in a certificate.

d. Group Companies

The Company is required to disclose outstanding litigation involving the group companies, if any, which may have a material impact on the Company. All group companies, to identify pending litigation involving such companies which are considered material by the respective group companies and which, in the view of the board of directors of the Company may have a material impact on the Company, shall be disclosed in the Offer Documents.

*Policy on Materiality:*

As per the requirements of SEBI ICDR Regulations, the Company shall disclose any pending litigation involving the group company which has a material impact on the Company.

## **B. Identification of material creditors**

*Requirement:*

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents of details of outstanding dues to creditors:

- (i) based on the policy on materiality of the Board, details of creditors which includes consolidated number of creditors and the aggregate amount involved;
- (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; and
- (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.

*Policy on Materiality:*

For the purposes of identification of material creditors, pursuant to requirements under the SEBI ICDR Regulations, we propose taking 5% of the Company's consolidated trade payables as at the end of the latest period covered in the restated financial statements of the Company disclosed in the Offer Documents as the threshold for disclosure of material creditors. The Company's trade payables as on March 31, 2023 was ₹ 4.87 million and accordingly 5% of such trade payables is ₹ 0.24 million.

## **C. Identification of material companies to be disclosed as Group Companies**

*Requirement:*

With respect to identification of group companies, the following approach regarding identification of group companies may be considered pursuant to the provisions of the SEBI ICDR Regulations:

- a. Companies (other than promoter(s) and subsidiaries) with which there were related party transactions, during the period for which financial information will be disclosed in the offer documents; and
- b. other companies as considered material by the board of the Company.

*Policy on Materiality:*

Further, (i) such companies (other than promoter(s) and subsidiaries (if any)), that are a part of the promoter group (as defined in the SEBI ICDR Regulations) with which there were transactions in the most recent financial year and stub period, if any, which individually or in the aggregate, exceed 10% of the total consolidated restated revenue of the Company for the respective financial year or stub period; and (ii) and companies (other than promoter(s) and subsidiaries (if any)) with which there were related party transactions for the period (after the period in respect of which, restated audited financial statements are included in the offer documents) until the date of filing of the offer document, shall also be classified as group companies.

It is clarified that the policies are solely for the purpose 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 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.

This policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time. All other capitalised terms not specifically defined in this policy shall have the same meanings ascribed to such terms in the Offer Documents.