

Materiality Policy

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<u>Issuing Authority</u>	Board of Directors of the Company
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Materiality Policy

This document has been formulated to define the materiality policy for identification of (i) outstanding material litigation involving Kids Clinic India Limited (the “**Company**”), Subsidiary, Group Companies and Directors; (ii) the material creditors of the Company on a consolidated basis; and (iii) Group Companies (together, the “**Policy**”), in terms of the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”). This Policy shall be effective from the date of its approval by the Board of Directors.

In this Policy, the term “Offer Documents” shall mean the Draft Red Herring Prospectus, the updated draft red herring prospectus to be filed with the Securities and Exchange Board of India (“**SEBI**”), the Red Herring Prospectus and the Prospectus.

I. Material Policy for Litigation

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

- (i) individual disclosure of all criminal proceedings;
- (ii) individual disclosures of all actions by regulatory authorities and statutory authorities;
- (iii) consolidated disclosure of all claims related to direct and indirect taxes, giving the number of cases and total amount, provided that all tax proceedings which individually involve an amount greater than the materiality threshold as provided below, shall be disclosed individually; and
- (iv) for all civil/ arbitration 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, 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.

a. Company

Monetary threshold: An amount exceeding 1% of the total income for Fiscal Year 2021 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 (*as determined by the Company*), irrespective of their monetary quantum, will necessitate disclosure. This may include any writ petitions/insolvency 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, 2021, as per the audited financial statements, the Company’s total income was approximately ₹ 5,666 million. 1% of the total income is approximately ₹ 56.66 million. Further, the actual thresholds and conclusive analysis of material civil litigations will be based on our review of the restated Ind AS financials, once available.

b. Subsidiary

Monetary threshold: Pending civil cases involving the Subsidiary of the Company, which involve an amount exceeding 1% of the total income for Fiscal Year 2021 as per the restated financial statements of the Company shall be considered material.

Subjective threshold: All outstanding civil litigation against the Subsidiary 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, the Subsidiary shall identify and provide information relating to such outstanding civil litigation involving themselves in a certificate.

c. Directors:

Monetary threshold: Pending civil cases involving the directors of the Company, which involve an amount exceeding 1% of the total income for Fiscal Year 2021 as per the restated financial statements of the Company shall be considered material.

Subjective threshold: All outstanding civil litigation against the 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 directors shall identify and provide information relating to such outstanding civil litigation involving themselves in a certificate.

d. Group Companies

In relation to legal proceedings involving the Group Companies, a certificate will be obtained in relation to any litigation involving the Group Companies, the outcome of which could have a material impact on the Company. Further, the board of the Company would pass a resolution taking on record such certificate provided by the group companies.

It is clarified that for the above purposes, pre-litigation notices received by Relevant Parties (excluding statutory/regulatory/ tax authorities), have not been considered as litigation until such time that the Relevant Parties are not implicated as a defendant in the litigation proceedings before any judicial/ arbitral forum.

For the purpose of our diligence, please note that for all legal proceedings involving the Company, we will review the backup documents. However, for all legal proceedings involving the Subsidiary, Directors and Group Companies, we will rely on certifications and confirmations provided by such entities and individuals. For the purpose of the consolidated tax table, we will rely on the MIS provided by the Company and the certificate to be issued by ICA.

II. Material Creditors

Apart from the materiality threshold for litigation, pursuant to requirements under the SEBI ICDR Regulations, we propose taking 5% of the Company's trade payables as of the end of the most recent period covered in the restated financial statements of the Company, as the threshold for disclosure of material creditors.

III. **Group Companies** 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 with which there were related party transactions, during the period for which financial information will be disclosed in the offer documents;
- b. Companies with which there were transactions during the most recent period covered in the restated financial statements of the Company, which individually or in the aggregate, exceed 10% of the total revenue from operations of the Company for the most recent period covered in the restated financial statements of the Company, shall be considered material to be disclosed as a group company in offer documents; and
- c. other companies as considered material by the board of the Company.



Further, companies 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.

General

It is clarified that the Policy is 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.

The Policy 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 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

