



Gem Aromatics Limited

(Formerly Known as Gem Aromatics Pvt. Ltd.)

Manufacturers & Exporters of Essential Oils & Aromatics Chemicals

Registered Office: A/410-411, A-Wing, Kailash Ind. Complex, Powai Vikhroli link Rd,
Vikhroli West, Mumbai-400079. Maharashtra, India,

Tel No: +91-25185231/25185931 CIN: U24246MH1997PLC111057

MATERIALITY POLICY

This document defines the materiality policy in connection with the identification of: (i) outstanding material litigation involving Gem Aromatics Limited (**Company**), its Directors, its Promoters, its Subsidiaries and its Group Companies (to the extent such litigation has any material impact on the Company); (ii) the Group Companies; and (iii) the material creditors of the Company (collectively, the **Materiality Policy**), each 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**) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**SEBI LODR**).

The Board of Directors of the Company (**Board**) at their meeting held on 16th December, 2024 discussed and approved this Materiality Policy. This Materiality Policy shall be effective from the date of its approval by the Board.

In this Materiality 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 Company in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India (**SEBI**), the Registrar of Companies, Mumbai in Maharashtra, or the stock exchanges, as applicable, where the equity shares of the Company are proposed to be listed, and any other regulatory authorities, as applicable.

I. Materiality policy for litigation

In terms of SEBI ICDR Regulations, the Company is required to disclose the following pending litigation involving itself, its Directors, its Promoters and its Subsidiaries in the Offer Documents. Accordingly, the details below shall be disclosed for litigation involving the Company, its Directors, its Promoters and its subsidiaries:

- (i) All outstanding criminal proceedings (including first information reports where no/ some cognizance has been taken by any court);
- (ii) All outstanding actions by statutory and / or regulatory authorities; including notices by such authorities and any findings/observations or warning letters of any of the inspections by SEBI or any other regulatory authority and all penalties;
- (iii) Outstanding claims related to direct and indirect taxes, in a consolidated manner giving details of 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;
- (iv) Other pending litigations (including civil litigation or arbitration proceedings), which are determined to be material 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 any penalty) imposed by SEBI or any of the stock exchanges against any of the Promoters in the five financial years preceding the date of the relevant Offer Document as well as in current year in which the relevant Offer Document is getting filed, including any outstanding action; and

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- (b) outstanding litigation (including first information reports) involving the Group Companies, which has a material impact on the Company, as applicable. Any pending litigation involving the group companies, as identified in accordance with provisions of SEBI ICDR Regulations would be considered to have a 'material impact' on the Company for the purpose of disclosure in the Offer Documents, if an adverse outcome from such pending litigation would materially and adversely affect the business, operations, cash flows, performance, prospects, financial position or reputation of the Company.

All outstanding labour law cases of a criminal nature will also be disclosed in the Offer Documents.

For the purposes of (i) above, to the extent such matters relate to Section 138 of the Negotiable Instruments Act, 1881, disclosures shall be included in the Offer Documents in a consolidated manner giving details of number of cases and total amount involved in such cases.

Policy on materiality

For purposes of (v) above, all outstanding litigations/ arbitration proceedings (other than as covered under (i) - (iv) above) involving the Company, its Directors, its Promoters and its Subsidiaries shall be considered "material" and disclosed in the Offer Documents: (a) if the aggregate monetary amount of claim made by or against the entity or person in any such pending proceeding exceeds the aggregate monetary claim/ dispute amount/ liability involved in such proceeding exceeds the lower of (A) 2% of the turnover of the Company for the most recent financial year as per the Restated Consolidated Financial Information; or (B) 2% of the net worth of the Company as at the end of the most recent financial period as per the Restated Consolidated Financial Information, except in case the arithmetic value of the net worth is negative; or (C) 5% of the average of the absolute value of the profit or loss after tax of the Company for the last three financial years as per the Restated Consolidated Financial Information or (b) where monetary liability is not determinable or quantifiable for any other outstanding proceeding, or which does not fulfil the financial threshold specified in (a) above, but the outcome of any such pending proceeding may have a material adverse effect on the business, operations, performance, prospects, position or reputation of the Company, in accordance with Company's policy for determining materiality of events.

For the purpose of this Policy, pre-litigation notices received by the Company, its Directors, its Promoters, its Group Companies or its Subsidiaries from third parties (excluding notices from statutory, judicial, quasi-judicial, regulatory or tax authorities or notices threatening criminal action or first information reports) shall not be evaluated for materiality until the Company, its Directors, its Promoters, its Group Companies or its Subsidiaries are impleaded in proceedings before any judicial/ arbitral forum or unless decided otherwise by the board of directors of the Company.

II. Materiality policy for group companies

In terms of the SEBI ICDR Regulations, the term 'group companies' includes:

- (i) Such companies (other than promoter(s) and subsidiary(ies)) with which the relevant issuer company had related party transactions, during the period for which financial information is disclosed in the relevant offer documents, as covered under the applicable accounting standards (Ind AS 24); and
- (ii) Any other companies considered material by the board of directors.

Accordingly, for the purpose of disclosure in the Offer Documents, all such companies (other than the Subsidiaries) with which the Company had related party transactions during the period covered in the

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restated consolidated financial information included in the Offer Documents, as covered under the applicable accounting standards (IndAS24) and any other company as may be identified as material by the Board, shall be considered as Group Companies in terms of the SEBI ICDR Regulations.

In addition, for the purposes of point no. (ii) above, a company (other than the companies and subsidiaries covered under point no. (i) above) shall be considered 'material' and will be disclosed as a group company in the Offer Documents, if (a) such a company is: a member of the Promoter Group in accordance with Regulation 2(1)(pp) of the SEBI ICDR Regulations, and (b) with which the Company has entered into one or more transactions in the most recent financial year and stub period, if any, (in respect of which Restated Consolidated Financial Information are included in the Offer Document), ("Test Period") which individually or in the aggregate, exceed 10% of the total consolidated revenue from operations of the Company as derived from the restated consolidated financial statements for the Test Period.

III. Materiality policy for material creditors

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

- (i) 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;
- (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 dues 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 in the Offer Documents.

For the purposes of identification of material creditors, in terms of point (i) above, a creditor of the Company, shall be material for the purpose of disclosure in the Offer Documents, if amount due to such creditor is equal to or in excess of 5% of the restated consolidated total trade payables of the Company as at the end of the latest financial period in the restated consolidated financial information to be included in the Offer Documents.

For outstanding dues to micro, small and medium enterprises ("MSME") and other creditors, the disclosure will be based on information available with the Company regarding the status of the creditors as MSME as defined under Section 2 read with Section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report.

General

It is clarified that the Materiality Policy is solely for the purpose of disclosure requirements in Offer Documents prescribed under the SEBI ICDR Regulations 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.

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The Materiality Policy shall be without prejudice to any disclosure requirements which may be prescribed by SEBI and/ or any 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 Materiality Policy shall be subject to review/changes as may be deemed necessary and in accordance with applicable law from time to time.

All capitalized terms not specifically defined in this Materiality Policy shall have the same meanings ascribed to such terms in the Offer Documents.

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