

MATERIALITY POLICY

INTRODUCTION

This materiality policy (“**Policy**”) has been formulated to define the materiality thresholds in respect of the proposed initial public offering of the equity shares of Avtar Steel Limited (“**Company**”, and such issuance, “**Issue**”), 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**”), in respect of the following:

- A. Identification of companies to be disclosed as Group Companies in the Offer Documents (as defined below);
- B. Identification of litigation involving the Company, its subsidiaries, its promoter, its directors, key managerial personnel and members of the senior management and group companies to be disclosed in the Offer Documents (as defined below); and
- C. Identification of ‘material’ creditors of the Company.

APPLICABILITY

The board of directors of the Company (“**Board**”) at their meeting held on 10th August, 2026 discussed and approved this Policy. This Policy shall be effective from the date of approval of the policy by the Board.

In this Policy, the term “**Offer Documents**” shall mean the draft red herring prospectus, the red herring prospectus and the prospectus 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 (“**SEBI**”), the Registrar of Companies, National Capital Territory of Delhi-II, at Central Delhi (“**ROC**”) and/or the 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.

A. Identification of companies to be disclosed as group companies in the Offer Documents

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 Promoter and Subsidiaries) with which the Company had related party transactions during the period covered in the 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.

B. Identification of litigation involving the Company, its subsidiaries, its promoter, its directors, and group companies to be disclosed in the Offer Documents

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following pending litigation involving the Company, its subsidiary, its promoter and its directors to be disclosed in the Offer Documents (collectively "**Relevant Parties**"):

- (i) All outstanding criminal proceedings, including matters which are at first information report stage whether cognizance has been taken or not by any court or judicial authority;
- (ii) All outstanding actions by regulatory authorities and statutory authorities, including notices by such authorities (including any judicial, quasi-judicial, administrative authorities or enforcement authorities, any findings or observations arising out of any of the inspections by the Securities and Exchange Board of India or by any other regulator in or outside India, which are outstanding);
- (iii) Disciplinary actions including penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years including outstanding actions;
- (iv) Outstanding claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount; and
- (v) Other pending litigations (including civil litigations or arbitration proceedings) involving the Relevant Parties, which are determined to be material as per the policy of materiality defined by the Board and disclosed in the Offer Documents.

For the purpose of (v) above, all pending litigations (including civil litigations or arbitration proceedings) involving the Relevant Parties will be disclosed 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. ("**Materiality Threshold**")

As per the SEBI ICDR Regulations, the Company shall disclose the following pending litigation involving the key managerial personnel and senior management of the Company:

- (i) all criminal proceedings including matters which are at first information report stage whether cognizance has been taken or not by any court or judicial authority; and
- (ii) all outstanding actions by regulatory authorities and statutory authorities, including notices by such authorities (including any judicial, quasi-judicial, administrative authorities or enforcement authorities).

Further, as per the requirements of SEBI ICDR Regulations, the Company shall also disclose such outstanding litigation (including civil litigations or arbitration proceedings) involving the group companies which may have a material impact on the Company. Any pending litigation (including civil litigations or arbitration proceedings) 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.

Policy on materiality:

Other than litigations mentioned in points (i) to (iv) above, any other pending litigation, as mentioned in (v), involving the Relevant Parties would be considered 'material' for the purpose of disclosure in the Offer Documents, if:

- (i) Monetary threshold: the aggregate monetary amount of claim by or against the Relevant Parties in any such pending proceeding exceeds the Materiality Threshold, as per the restated consolidated financial information included in the Offer Documents; or
- (ii) Subjective threshold: such pending matters which are not quantifiable or do not exceed the monetary threshold, involving the Relevant Parties, whose outcome, in the opinion of the Board, would materially and adversely affect the Company's business, prospects, performance, operations, financial position, reputation or cash flows or the decision in such a proceeding is likely to affect the decision in similar proceedings, such that the cumulative amount involved in such proceedings exceeds the threshold, even though the amount involved in an individual proceeding does not exceed the threshold; or
- (iii) Tax matters: In the event any tax matters involve an amount exceeding the Monetary Threshold proposed, in relation to the Relevant Parties, individual disclosures of such tax matters will be included.

It is clarified that for the purpose of this Policy, pre-litigation notices received by the Relevant Parties from third parties (excluding those notices issued by governmental, statutory, regulatory, judicial, quasi-judicial or taxation authorities or notices threatening criminal action) shall, in any event, not be considered as litigation and evaluated for materiality, until such time that Relevant Parties are impleaded as defendants in litigation proceedings/investigation/regulatory action before any judicial/arbitral forum, tribunal or authority.

C. Identification of 'material' creditors

Requirement:

As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents and on the website of the Company for outstanding dues to creditors as follows:

- (i) based on the policy on materiality defined and adopted by the Board, details of the creditors which include the consolidated number of creditors and the aggregate amount involved, will be disclosed in the Offer Documents;
- (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 will be disclosed in the Offer Documents; 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.

Policy on materiality:

For identification of material creditors, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents, if the amounts due to such creditor exceeds 5% of the restated consolidated total trade payables of the Company as of the end of the latest financial period covered in the restated consolidated financial information disclosed in the Offer Documents.

GENERAL

It is clarified that the Policy is 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 Policy shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other regulatory, judicial, quasi-judicial, governmental, administrative 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.
