



MATERIALITY POLICY

[Adopted by the Board on 01/07/2024]

HIGHWAY INFRASTRUCTURE LIMITED

A. INTRODUCTION

Securities Exchange Board of India (“SEBI”), vide its notification dated August 14, 2015, notified the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations (Fourth Amendment) Regulations, 2015 (“**4th Amendment Regulations**”) whereby SEBI (i) modified the definition of the group companies; (ii) modified the disclosure requirements pertaining to litigation involving the issuer company, its directors, its subsidiaries (if any), its promoters and its group companies, and (iii) modified the disclosure requirement pertaining to the outstanding dues to creditors. Accordingly, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (“**SEBI ICDR Regulations**”).

B. OBJECTIVE

In view of the 4th Amendment Regulations, the Board of Directors ("**Board**") of **Highway Infrastructure Limited ("Company")** has adopted this policy and procedures for determination of:

- (i) Identification of companies which are considered to be ‘material’ as a **group company** of the Company within the meaning of Group Company defined under the SEBI Regulations;
- (ii) Identification of ‘material’ creditors, and
- (iii) Identification of ‘material’ litigation.

This policy shall be called the ‘**Materiality Policy**’ ("**Policy**")

The Policy shall come into effect from the date of its approval by our Board i.e. 01-07-2024.

C. APPLICABILITY:

The Board of Directors of the Company (the “**Board**”) at their meeting held on July 01, 2024, discussed and approved this, Policy. This Policy shall be effective from the date of its approval by the Board.

In this Policy, the term “**Offer Documents**” shall mean the draft red herring prospectus (“**DRHP**”), red herring prospectus (“**RHP**”) and the prospectus (“**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, Registrar of Companies, Madhya Pradesh at Gwalior 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 meanings ascribed to such terms in the Offer Documents.

D. INTERPRETATION

In this Policy, unless the context otherwise requires:

1. words denoting the singular shall include the plural and vice versa.

2. references to the words "include" or "including" shall be construed without limitation.

E. POLICY PERTAINING TO THE IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS

The policy with respect to the identification of the group companies of our Company, material creditors and material litigation shall be as follows:

Identification of the Group Companies

As per Regulation 2(1)(t) of the SEBI ICDR Regulations, the term “**Group Companies**”, is defined to include “*such companies (other than promoter(s) and subsidiary/subsidiary(ies)) with which there were related party transactions, during the fiscal for which financial information is disclosed, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer*”.

With respect to identification of Group Companies, the following approach 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 as per the restated consolidated financial information (“**Restated Consolidated Financial Information**”) for Fiscals 2024, 2023 and 2022 and stub period; and
- b. other Companies as considered material by the Board of the Company.

In addition, for the purposes of point (a) mentioned above, a company (other than the companies covered under the schedule of related party transactions as per the Restated Consolidated Financial Information) shall be considered “material” and will be disclosed as a ‘Group Company’ in the Offer Documents if it is a member of the Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, and has entered into one or more transactions with the Company in the most recent financial year (or the stub period, if applicable), in respect of which Restated Consolidated Financial Information are included in the Offer Documents, that cumulatively exceed 10% of the total revenue of our Company for the last completed financial year covered in the Restated Consolidated Financial Information.

Based on our review of the restated consolidated financial statements, we note that there are no material group companies.

Identification of Material Creditors

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

- (i) Based on the policy on materiality of the Board of the Company, details of creditors which include 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.

Additionally, our Company is required to provide complete details about outstanding dues to creditors as per (i), (ii) and (iii) above on the webpage of our Company with a web link thereto in the DRHP/RHP/Prospectus. Pursuant to requirements under the SEBI ICDR Regulations, creditors of the Company (except banks and financial institutions from whom the Company has availed financing facilities) to whom an amount having a monetary value which exceeds 1% of the total trade payables of the Company as of the end of the most recent fiscal covered in the Restated Consolidated Financial Information of the Company is outstanding, shall be considered as 'material'.

The Company shall make relevant disclosures before the Audit Committee/ Board of Directors as required by applicable law from time to time.

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 Subsidiaries, its Directors and Promoters (collectively "**Relevant Parties**"):

- (i) All outstanding criminal proceedings;
- (ii) All outstanding actions by regulatory authorities and statutory authorities;
- (iii) all outstanding claims related to direct and indirect tax matters to be disclosed in a consolidated manner, giving details of number of cases and total amount; and
- (iv) any other pending litigation, involving the Relevant Parties, which is determined to be material by the Board; or
- (v) pending litigation involving each of the Group Companies which may have a material impact on the Company.

Further, pre-litigation notices received (excluding those notices issued by governmental, statutory, regulatory, judicial, quasi-judicial or taxation authorities or notices threatening criminal action) by the Company, its Subsidiaries, Directors or Promoters from third parties shall not be considered as litigation unless otherwise decided by the Board or until such time that any of the Company, its Subsidiaries, Directors or Promoters, as the case may be, is impleaded as a party in proceedings initiated before any court, arbitrator, tribunal, judicial forum or governmental authority.

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

As per the requirements of SEBI ICDR Regulations, the Company shall disclose any pending litigation involving the Group Company(ies) which has a material impact on the Company.

a. Company

Monetary threshold: Pending civil cases involving the Company, which involve an amount of more than being 1% of the total consolidated profit after tax for the Financial Year ended March 31, 2024 as per the Restated

Consolidated Financial Information, shall be considered material and be disclosed in the Offer Documents.

Subjective threshold: Under this test, such pending matters whose outcome may have a material impact, in the opinion of the Board, on the business, performance, financial position, cash flows, prospects, reputation, operations or any adverse impact on the Company, 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 impact on the business of the Company.

b. Company's Subsidiary(ies) and Its Association of Person (AOP)

Monetary threshold: Pending civil cases involving the Company's Subsidiary and its AOP, as applicable, which involve an amount of more than being 1% of the total consolidated profit after tax for the Financial Year ended March 31, 2024 as per the Restated Consolidated Financial Information shall be considered material and be disclosed in the Offer Documents.

Subjective threshold: Under this test, such pending matters whose outcome may have a material impact on the business, prospects, financial positions, cash flows, performance, reputation, operations or any adverse impact on the Company, irrespective of their monetary quantum, will necessitate disclosure. Accordingly, the Subsidiaries shall identify and provide information relating to such outstanding litigation involving themselves in their respective certificates.

c. Promoters

Monetary threshold: Pending civil cases involving the Promoters of the Company, which involve an amount of more than being 1% of the total consolidated profit after tax for the Financial Year ended March 31, 2024 as per the Restated Consolidated Financial Information shall be considered material and be disclosed in the Offer Documents. The Promoters shall identify and provide information relating to such outstanding civil litigation involving them and exceeding the monetary threshold in a certificate.

Subjective threshold: All outstanding civil litigation against the Promoters of the Company where an adverse outcome would materially and adversely affect the business, prospects, cash flows, 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 Promoters shall identify and provide information relating to such outstanding civil litigation involving themselves in their respective certificates.

d. Directors (other than the Promoters):

Monetary threshold: Pending civil cases involving a Director of the Company, which involve an amount of more than being 1% of the total consolidated profit after tax for the Financial Year ended March 31, 2024 as per the Restated Consolidated Financial Information shall be considered material and be disclosed in the Offer Documents. Each Director shall identify and provide information relating to such outstanding civil litigation involving itself and exceeding the monetary threshold in a certificate.

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, cash flows, 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 director shall identify and provide information relating to such outstanding civil litigation involving themselves in their respective certificates.

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 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 by the Board and in accordance with regulatory amendments from time to time.
