

SECTION VII: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as stated in this section, there are no outstanding: (i) criminal proceedings; (ii) actions by statutory/regulatory authorities; (iii) indirect and direct tax proceedings;(iv) other material litigations involving our Company, Group Entities and Directors and (v) any other litigations involving or Company, Directors or other person whose outcome may have a material adverse effect on our Company. Our Board, in its meeting held on January 25, 2018, adopted a policy on identification of material litigations and material creditors (“Materiality Policy”).

As per the Materiality Policy, for the purposes of (iv) above, in relation to material litigations, all the outstanding litigations involving our Company: (a) where the amounts involved in such litigations in excess of 5% of the total Profit after Tax of our Company, as per the Restated Consolidated Financial Statements of our Company for Fiscal Year 2017 i.e. ₹ 11.41 million, are to be considered as material pending litigations.

Further, except as stated in this section, there are no: (i) pending proceedings initiated against our Company for economic offences; (ii) default and non - payment of statutory dues by our Company; (iii) inquiries, inspections or investigations initiated or conducted under the Companies Act or any previous companies law in the last five years against our Company from the date of this Draft Red Herring Prospectus; (iv) material frauds committed against our Company in the last five years; (v) overdues to banks or financial institutions by our Company; (vi) defaults against banks or financial institutions by our Company; (vii) fines imposed or compounding offences by or against our Company under the Companies Act in the last five years immediately preceding this Draft Red Herring Prospectus; (viii) surveys, inquiries, inspections or investigations initiated or conducted under the IT Act (ix) proceedings initiated against our Company for economic offences; (x) matters involving our Company pertaining to violation of securities law, and (xi) outstanding dues to material creditors and material small scale undertakings.

It is clarified that for the purposes of the above, pre – litigations notices received by our Company, our Group Entities and the Directors shall, unless otherwise decided by the Board, not be considered as material litigations until such time that litigations proceedings are initiated before any judicial forum.

Further, in terms of the Materiality Policy, our Company considers creditors to whom the amount due exceeds 5% of the consolidated trade payables of our Company as per our Restated Consolidated Financial Statements for the Fiscal Year 2017, as ‘material’ creditors for the purpose of disclosures in this Draft Red Herring Prospectus. Further, all outstanding dues have been disclosed in a consolidated manner in this section. Details of material outstanding dues to creditors and details of outstanding dues to small scale undertakings and other creditors are disclosed on our website at www.kpragrochem.com.

A. LITIGATION INVOLVING OUR COMPANY

Litigation against Our Company

Criminal Proceedings

1. Criminal complaint bearing No. 732 of 2014 filed by the State of Karnataka through Director of Agricultural and Inspector of fertilisers against A.H.D. Vasanth Kumar and others A.H.D. Krishnamauthi being the sons of late H.S. Doddegoudain in his capacity as the seller (“**Accused No. 1 and 2**”) and S. Srinivias Reddy, an employee of our Company, in the capacity of manufacturer of fertilizers (“**Accused No.3**”) before the Civil Judge (Junior Division) and Judicial Magistrate First Class at Arakalagudu. On November 7, 2012 an inspection of the premises of accused No. 1 and 2 was conducted by the Assistant Director Agriculture and samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985 and hence it was alleged that Accused No. 1 and 2 have committed an offence of distributing non- standard fertilisers and the Accused No. 3 has committed an offence of manufacturing non-standardfertilisers. Therefore, the said accused are in violation of the Fertilizer (Control)Order, 1985 read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the Civil Judge (Junior Division) and Judicial Magistrate First Class at Arakalagudu.

2. Criminal complaint bearing No. 268 of 2017 filed by the Government of Andhra Pradesh through Assistant Director of Agriculture against our Company (“**Accused**”) before the II Additional Judicial I class Magistrate Court Eluru, West Godavari District. On October 9, 2015 an inspection of the premises of the accused was conducted by the Mandal Agricultural Officer and Fertiliser Inspector and the samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to specifications of the Fertilisers (Control) Order, 1985 and hence it was alleged that the Accused has committed an offence of manufacturing and distributing non-standard fertilisers. Therefore, the said Accused is in violation of the Fertiliser (Control) Order, 1985, read alongwith the Essential Commodities Act and is punishable under the same. The complaint is currently pending before the II Additional Judicial I class Magistrate Court Eluru, West Godavari District.
3. Criminal case bearing No. 2192/14 of 2014 filed by Arun B.C through Agriculture Officer and Fertiliser Inspector against Basavaraju (“**Accused No. 1**”) in his capacity as a retail seller, Balakrishna (“**Accused No. 2**”) in his capacity as a wholesale seller and B.V.K. Reddy, in the capacity as fertiliser and manufacturing manager of fertilizers at our Company (“**Accused No.3**”) before the Judicial Magistrate First Class at Bhadravati, Karnataka. On August 21, 2013 an inspection of the premises of Accused No. 1 was conducted by the Agricultural Officer and Fertiliser Inspector and samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertiliser (Control) Order, 1985. Therefore, the said accused are in violation of the Fertilizer (Control) Order, 1985 read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the Judicial Magistrate First Class at Bhadravati.
4. Criminal complaint bearing No. 1928 of 2014 filed by the State of Andhra Pradesh through Assistant Director of Agriculture against Kalla Uday Bhaskar, (in his capacity as the proprietor of M/s. Laxmi Enterprises) (“**Accused No. 1**”) and our Company (“**Accused No. 2**”) before the First Additional Judicial Magistrate of First Class Court Vishakhapatnam. On June 13, 2013 an inspection of the premises of Accused No. 1 was conducted by the fertiliser Inspector and the samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985, and hence it was alleged that Accused No. 1 has committed an offence of distributing non-standard fertilisers and the Accused No.2 has committed an offence of manufacturing and distributing non-standard fertilisers. Therefore, the said accused are in violation of the Fertilizer (Control) Order, 1985, read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the First Additional Judicial Magistrate of First Class Court Vishakhapatnam.
5. Criminal complaint bearing No. 1926 of 2014 filed by the State of Andhra Pradesh through Assistant Director of Agricultural against Kalla Uday Bhaskar, (in his capacity as the proprietor of M/s. Laxmi Enterprises) (“**Accused No. 1**”) and our Company (“**Accused No. 2**”) before the First Additional Judicial Magistrate of First Class Court Vishakhapatnam. On March 11, 2011 an inspection of the premises of Accused No. 1 was conducted by the fertiliser Inspector and the samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985, and hence it was alleged that Accused No. 1 has committed an offence of distributing non-standard fertilisers and the Accused No.2 has committed an offence of manufacturing and distributing non-standard fertilisers. Therefore, the said accused are in violation of the Fertilizer (Control) Order, 1985, read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the First Additional Judicial Magistrate of First Class Court Vishakhapatnam.
6. Criminal complaint bearing No. 269 of 2017 filed by the Government of Andhra Pradesh through Assistant Director of Agricultural against our Company (“**Accused**”) before the II Additional Judicial I class Magistrate Court Eluru, West Godavari District. On October 9, 2015 an inspection of the premises of the Accused was conducted by the Mandal Agricultural Officer and fertilisers Inspector and samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985, and hence, it was alleged that Accused has committed an offence of manufacturing and distributing non-standard fertilisers. Therefore, the Accused is in violation of the Fertilizer (Control) Order, 1985, read alongwith the Essential Commodities Act and is punishable under the same. The complaint is currently pending before the II Additional Judicial I class Magistrate Court Eluru, west Godavari District.
7. Criminal case bearing No. 4 of 2017 filed by the State Government of Andhra Pradesh through Assistant Director of Agricultural, Vizag against Lakshmi Enterprises (“**Accused No. 1**”) and our Company (“**Accused No. 2**”) before the Judicial Magistrate of First Class, Vizianagaram. On December 7, 2013 an inspection of the premises of Accused No. 1 was conducted by the fertiliser Inspector and the samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985, and hence it was alleged that Accused No. 1 has committed an offence of

distributing non-standardfertilisers and Accused No.2 has committed an offence of manufacturing and distributing non-standardfertilisers. Therefore, the said accused are in violation of the Fertilizer (Control) Order, 1985 read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the Judicial Magistrate of First Class, Vizianagaram.

8. Criminal case bearing No. 5 of 2017 filed by the Government of Andhra Pradesh through Assistant Director of Agricultural against Sri Devi Traders (“**Accused No. 1**”) and our Company (“**Accused No. 2**”) before the Judicial Magistrate of First Class, Vizianagaram. On December 4, 2013 an inspection of the premises of Accused No. 1 was conducted by the fertiliser Inspector and the samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985, and hence it was alleged that Accused No. 1 has committed an offence of distributing non-standardfertilisers and Accused No.2 has committed an offence of manufacturing and distributing non-standardfertilisers. Therefore, the said accused are in violation of the Fertilizer (Control) Order, 1985 read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the Judicial Magistrate of First Class, Vizianagaram.
9. Criminal case bearing No. 693 of 2013 filed by the Government of Andhra Pradesh through Assistant Director of Agricultural against G. Satyanarayana and Kethavarapu (“**Accused No. 1 and 2**”) and Kodi Ramesh, in his capacity as the Quality control officer of our Company (“**Accused No. 3**”) before the Special Court under Fertilization (Control) Order, 1985. On September 29, 2012 an inspection of the premises of Accused No. 1 and 2 was conducted by the fertiliser Inspector and the samples of the fertilizers were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985, and hence it was alleged that Accused No. 1 and 2 have committed an offence of distributing non-standardfertilisers and Accused No.3 has committed an offence of manufacturing and distributing non-standard fertilisers. Therefore, the said accused are in violation of the Fertilizer (Control) Order, 1985, read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the Special Court under Fertilization (Control) Order, 1985.
10. Summary trial case bearing No. 3 of 2016 filed by the State of Andhra Pradesh, through Inspector, Legal Metrology, Dharmavaram (“**Complainant**”) against our Company (“**Accused No. 1**”) and C. Manohar Reddy (“**Accused No. 2**”) before the Judicial First class Magistrate at Dharmavaram, Andhra Pradesh. It was alleged that during the inspection, the Inspector, Legal Metrology found the deficiency in the net content of the packages for the products of Accused 1 and accordingly, a case has been registered for the said violation against our Company and Accused No. 2 under the provisions of Legal Metrology Act, 2009. It was prayed by the Complainant to take cognizance of the complaint and prevent the sale and manufacturing of under weighed packages by Accused No. 1 and 2. The complaint is currently pending before the Judicial First class Magistrate at Dharmavaram, Andhra Pradesh.
11. Criminal complaint bearing No. 100 of 2014 filed by the State of Andhra Pradesh, through Assistant Director of Agricultural against our Company (“**Accused**”) before the Additional Chief Metropolitan Magistrate Vishakhapatnam. On June 17, 2017 an inspection of the premises of accused was conducted and samples of the fertilizers were seized by the inspector. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilizers (Control) Order, 1985 and hence it was alleged that the Accused has committed an offence of manufacturing and distributing Non- standard fertilisers. Therefore, the Accused is in violation of the Fertilizer (Control) Order, 1985 read alongwith the Essential Commodities Act and is punishable under the same. The complaint is currently pending before the Additional Chief Metropolitan Magistrate Vishakhapatnam.
12. Criminal case bearing No. 49 of 2017 filed by the State of Telangana through Assistant Director of Agriculture against Allenki Rajendra in his capacity as proprietor of Mahesh Fertilizes Pest and Seeds (“**Accused No. 1**”) and G. Lakshminarayana in his capacity as sales Officer of our Company (“**Accused No.2**”) before the Additional Judicial Magistrate First Class at Karimnagar, Telangana. On September 21, 2015 an inspection of the premises of Accused No. 1 was conducted by the Agricultural officer and fertiliser Inspector and samples of the fertilizers manufactured by Accused No. 2 were seized. The samples were tested and it was found that they were not in accordance to the specifications of the Fertilisers (Control) Order, 1985 and hence it was alleged that Accused No. 1 has committed an offence of distributing non-standardfertilisers and Accused No.2 has committed an offence of manufacturing and distributing non-standardfertilisers. Therefore, the said Accused No. 1 and 2 are in violation of the Fertiliser (Control)Order, 1985 read alongwith the Essential Commodities Act and are punishable under the same. The complaint is currently pending before the Judicial Magistrate First Class at Karimnagar, Telangana.

13. Global Adsorbents Private Limited (“**Complainant**”) has filed a criminal petition bearing No. 110265 of 2016 against our Company, our directors, Papa Reddy Kovvuri, Venkata Mukunda Reddy Karri, Rajasekhar Reddy Kovvuri and others (“**Accused**”) before the Chief Metropolitan Magistrate, Calcutta under section 420, 406 and 422 of the Indian Penal Code, 1860. The Complainant has alleged that the Accused has committed an offence of cheating and defrauding the Complainant by inducing them to part with goods worth ₹ 0.29 million and have failed to pay for the goods, thereby misappropriating the same. The aggregate amount involved is approximately ₹ 0.29 million. The Chief Metropolitan Magistrate, Calcutta *vide* order dated October 1, 2016, found a prima facie case against the accused under section 420, 406 and 422 of the Indian Penal Code, 1860. Our Company, being aggrieved has filed a Criminal revision petition bearing no. 1461 of 2017 against the Complainant before the High Court of Calcutta under section 482 of the Code of Criminal Procedure, 1973 praying for an order for setting aside or quashing and to stay the proceeding of criminal petition bearing No. 110265 of 2016 during pendency of this matter. The High Court of Calcutta has *vide* order dated May 15, 2017 granted a stay of proceeding in criminal petition No. 110265 of 2016 pending before the Chief Metropolitan Magistrate, Calcutta for a period of six weeks after summer vacation or until further order, whichever is earlier. The revision petition is presently pending before High Court of Calcutta.
14. Graphite India Limited (“**Complainant**”) has filed a criminal complaint no. 2041 of 2016 against our Company and our directors Papa Reddy Kovvuri, Venkata Mukunda Reddy Karri, Rajasekhar Reddy Kovvuri and others (“**Accused**”) before the Judicial Magistrate, First Class, Nashik under section 138 read with section 142 of the Negotiable Instruments Act, 1881 (“NI Act”). The complaint has been filed alleging that one cheque issued by the Accused amounting to ₹ 38.57 million, issued towards payment of equipment and machinery, was dishonoured due to insufficient funds. The complaint has been filed *inter alia* praying that the Accused be summoned and tried and punished under the provisions of sections 138 and 142 of the NI Act and under section 420 of the Indian Penal Code, 1860. The complaint is pending before the Judicial Magistrate, First Class, Nashik.
15. Ravindra Kumar Sinha of the Dairy Development Department (“**Complainant**”) has filed an FIR bearing no. 23/2018 against our Company and others (“**Accused**”) under sections 420, 409, 467, 468, 471 and 34 of the Indian Penal Code for cheating and dishonestly inducing delivery of property. Our Company has filed a reply, *inter alia*, denying and objecting the allegations made by the Complainant and has deposited a sum of ₹ 0.78 million with the Dairy Development Department. The matter is presently pending for investigation at Durva police station at Ranchi, Jharkhand.

Civil Proceedings

1. Abburi Visweswara Rao (“**Plaintiff**”) filed an original suit bearing No. 200 of 2011 before the II Additional District Judge, Visakhapatnam against our Company and others (the “**Defendant**”) for alleged infringement of patent of the Plaintiff i.e. the technology for manufacture of feed grade Di Calcium Phosphate, under Sections 104 of the Patents Act, 1970. The Plaintiff has prayed for a perpetual order of injunction restraining the Defendant from using its aforesaid patent, surrender of all the process sheets, drawings, material papers relating to the patent and the technology and a sum of ₹ 10.00 million payable in damages. Defendants have filed their written statement, *inter alia*, denying and objecting the allegations and seeking dismissal of the suit. The matter is currently pending before the II Additional District Judge, Visakhapatnam.
2. One Reji (“**Petitioner**”) has filed a writ petition bearing No. 25278 of 2017 against the State of Kerala, our Company and Others (“**Respondents**”) before the High Court of Kerala at Ernakulam. The Petitioner has alleged that our Company has not disclosed the true composition of products produced by the company on the information label and hence the products could be harmful to humans and the environment. The Petitioner has prayed for a writ of mandamus directing the state of Kerala to verify the chemical composition of the pesticides and fertilizers manufactured by our Company and such other orders as the court may deem fit. Our Company has filed their Counter affidavit, *inter alia*, denying and objecting the allegations made by the Petitioner. The matter is currently pending before the High Court of Kerala at Ernakulam.
3. Our Company has filed several applications for registration of numerous trademarks under the Trademarks Act, 1999. Several oppositions have been filed by various persons and entities, opposing registration of our trademarks, alleging deceptively similar trademark and such applications are currently pending before various Trademark Registries.

The following are the details of applications made by our Company for registration of trademarks which are pending and have been objected on the date of filing of this Draft Red Herring Prospectus: