

## MATERIALITY POLICY

### **1. INTRODUCTION:**

This document has been formulated to define the materiality policy for identification of (i) outstanding material litigation involving DCX Systems Limited (the “**Company**”), its Subsidiary, its Directors, and Promoters; (ii) the Group Companies (as defined in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”) and (iii) the material creditors of the Company (together, the “**Policy**”), in terms of the disclosure requirements under Schedule VI of the SEBI ICDR Regulations.

This Policy shall be effective from the date of its approval by the board of directors of the Company (“**Board of Directors**”).

In this 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 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, Karnataka at Bangalore and the stock exchanges where the equity shares of the Company are proposed to be listed, and any other regulatory authorities, as applicable.

### **I. MATERIALITY POLICY FOR OUTSTANDING MATERIAL LITIGATION:**

In terms of SEBI ICDR Regulations, the Company is required to disclose the following pending litigation involving itself, its Subsidiary, its Directors and its Promoters:

- I. All criminal proceedings;
- II. All actions by statutory and / or regulatory authorities;
- III. Taxation proceedings – separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and
- IV. Other pending litigations/arbitration proceedings – As per the policy of materiality defined by the Board of Directors 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 a penalty) imposed by SEBI or any of the stock

exchanges against any of its Promoters in the five financial years preceding the relevant Offer Document, including any outstanding action; and (b) outstanding litigation involving the Group Companies, which may have a material impact on the Company, as applicable.

**For the purposes of determining outstanding material litigations /arbitration proceedings as mentioned in point (iv) above, the following criteria shall apply:**

Any pending litigation / arbitration proceedings (other than litigations mentioned in point (i) to (iii) above) involving the Company, Subsidiary, Directors and/or Promoters shall be considered “material” for the purposes of disclosure in the Offer Documents, if:

The aggregate monetary claim made by or against the Company, Subsidiary, Directors and/or Promoters (individually or in aggregate), in any such pending litigation / arbitration proceeding is equal to or in excess of 1% of the profit after tax of the Company, in the most recently completed Fiscal as per the restated financial statements, which is ₹ 2.96 million i.e., 1% of ₹ 295.58 million, profit after tax for Fiscal 2021; or

any such litigation wherein a monetary liability is not quantifiable, or which does not fulfil the threshold as specified in (i) above, but the outcome of which could, nonetheless, have a material adverse effect on the business, operations, performance, prospects, financial position, or reputation of the Company.

Further, pre-litigation notices received by the Company, Subsidiary, Directors, Promoters or a Group Company (collectively the “Relevant Parties”) from third parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action) shall, unless otherwise decided by the Board of Directors, not be considered a material litigation until such time that the Relevant Party is impleaded as a defendant in proceedings before any judicial / arbitral forum.

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 or financial position or reputation of the Company.

The above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed under the Companies Act, 2013 and the rules thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the Offer Documents or by SEBI and/or such other applicable 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. In this regard, it is clarified that the above policy on materiality 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.

## **II. MATERIALITY POLICY FOR GROUP COMPANIES:**

In terms of the SEBI ICDR Regulations, the term 'group companies' includes (i) such companies (other than promoters and subsidiaries of such issuer company) with which the relevant issuer company had related party transactions, during the period for which financial information is disclosed in the relevant Offer Document, as covered under the applicable accounting standards, and (ii) any other companies considered material by the board of directors of the issuer company.

Accordingly, for (i) above, all such companies (other than the corporate promoters) with which the Company had related party transactions during the period covered in the restated financial statements included in the Offer Documents, as covered under the applicable accounting standards, shall be considered as Group Companies in terms of the SEBI ICDR Regulations.

In addition, for the purposes of (ii) above, (a) a company which is a part of the Promoter Group and with which there were transactions in the most recent financial year (or relevant sub period, if applicable), which individually or in the aggregate, exceed 1% of the total profit after tax of our Company, as per the restated financial statements or (b) any other company considered material by the Board of Directors shall be disclosed as a 'Group Company'. In relation to aforesaid criteria, following entities are identified as Group Companies:

Raneal Technologies Private Limited

RNSE-Tronics Private Limited

DCX Chol Enterprises Inc.

Vinyas Innovative Technologies Private Limited Information about Group Companies identified based on the above approach shall be disclosed in the Offer Documents in accordance with SEBI ICDR Regulations.



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**III. MATERIALITY POLICY FOR IDENTIFICATION OF MATERIAL CREDITORS:**

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

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;

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

Complete details about outstanding overdues to material creditors as per (ii) above along with the name and amount involved for each such material creditor shall be disclosed on the webpage 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 amounts due to such creditor is equal to or in excess of 4% of the total trade payables of the Company as at the end of the latest fiscal year or stub period as applicable included in the restated financial statements which is ₹ 43.63 million, constituting 4% of ₹ 1,090.82 million total trade payables as on December 31, 2021.

**Disclosures in Offer Documents regarding creditors and MSMEs:**

For creditors identified as material based on the abovementioned policy, information on outstanding dues to such material creditors shall be disclosed in the Offer Documents along with details of number of creditors and amount involved on an aggregate basis.

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 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. Information for such identified MSMEs creditors shall be provided in the Offer Documents in the following manner:

a. Number of cases and aggregate amounts due to MSME creditors; and

b. Number of cases and aggregate amounts due to other creditors.

**2. 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.

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