



# POLICY ON MATERIALITY [ADOPTED BY BOARD ON 05.02.2025]



## **Description of the Document -**

This document provides a brief description of the Materiality at EXCELSOFT.

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## 1. INTRODUCTION

This document has been formulated to define the policy for identification of (i) outstanding material litigation involving Excelsoft Technologies Limited (the “**Company**”), its Directors and its Promoters, our Subsidiaries and our Group Companies as applicable; (ii) companies to be considered as Group Companies; and (iii) the material creditors of the Company (together, the “**Policy**”), in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”).

The board of directors of the Company (“**Board**”) at their meeting held on 05.02.2025 discussed and approved this, Policy. This **Policy** shall be effective from the date of its approval by the board of directors of the Company (“**Board**”).

In this Policy, the term “**Offer Documents**” shall mean the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus (along with any addenda or corrigenda thereto), as applicable, 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, 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;

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

## 2. POLICY FOR IDENTIFICATION AND DISCLOSURE OF LITIGATIONS AND OTHER MATTERS:

In terms of the SEBI ICDR Regulations, the Company is required to disclose the following pending litigation(s) involving itself, its Directors, its Promoters and its subsidiaries (“**Relevant Parties**”) in the Offer Documents:

- (i) All outstanding criminal proceedings including matters which are at first information report stage 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 involving the Relevant Party(ies), which are material and which need to be disclosed or non-disclosure of which may have bearing on the investment decision in relation to the Offer shall be disclosed in the Offer Documents including penalties imposed by them;
- (iii) Disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years including outstanding action;
- (iv) All outstanding claims related to direct and indirect taxes for all the relevant parties, in a consolidated manner giving details of number of cases and total amount involved in such cases provided that if the amount involved in any such claims exceeds the materiality threshold, such matter(s) shall be disclosed on an individual basis; and
- (v) Other pending civil litigation/arbitration proceedings involving relevant parties in accordance with the policy of materiality defined by the Board and disclosed in the Offer Documents.



- (vi) Outstanding litigation involving Group Companies, if any which may have a material impact on the Company, as applicable.

Further, all outstanding labour law cases of a criminal nature shall also be disclosed in the Offer Documents.

For the purposes of determining outstanding material litigations as mentioned in point 1(iv) above, the following shall be considered 'material' for the purposes of disclosure in the Offer Documents:

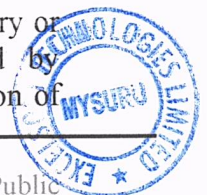
Any pending civil / arbitration proceedings involving the Relevant Parties, shall be considered 'material' for the purposes of disclosure in the Offer Documents, if:

- a) aggregate monetary amount of claim/dispute amount/liability involved whether by or against the Relevant Parties in any such pending litigation is in excess of the lower of the following is above a materiality threshold of (a) 2% of the net worth of the Company as per the last audited Restated Consolidated Financial Information, except in case the arithmetic value of the net worth is negative or, (b) ₹ 2% of turnover of the Company as per the last audited Restated Consolidated Financial Information and (c) 5% of the average of absolute value of profit or loss after tax of the Company as per the last three audited Restated Consolidated Financial Information ("Materiality Threshold"); or (ii) such matters which may have a significant effect on the business, operations, financial condition, prospects, reputation, results of operations or cash flows of the Company irrespective that the amount involved in such litigation (including any litigation under the Insolvency and Bankruptcy Code, 2016) may not meet the materiality threshold in (i) above, or such matters where the aggregate monetary amount of claim/dispute amount/liability involved is not quantifiable. This will also include civil litigations where the decision in one case is likely to affect the decision in similar cases even though the amount involved in an individual litigation may not exceed the materiality threshold.
- b) any such proceedings wherein a monetary liability is not quantifiable, or which does not fulfil the threshold as specified in (a) above, but the outcome of such a proceeding could have a material adverse effect on the financial position, business, operations, prospects, or reputation of the Company, in the opinion of the Board; or
- c) 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.

### 3. OTHER MATTERS

With respect to outstanding litigations involving the Group Companies, only such outstanding litigations shall be disclosed in the Offer Documents, that could have a material impact on the Company in the opinion of the Board.

It is clarified that for the purposes of disclosures in the Offer Documents, pre-litigation notices received by any of the Company, Directors or Promoters, or our Subsidiary or our Group Companies from third parties (excluding those notices issued by statutory/regulatory/ governmental/ tax authorities or notices threatening initiation of



criminal action), unless otherwise decided by the Board, shall not be considered as an outstanding litigation until such time the Company, Directors or the Promoters, as the case may be, are impleaded as a party in the proceeding before any judicial/arbitral forum. Further, only those first information reports, where cognizance has been taken and a chargesheet has been filed against any of the Company, Directors and the Promoters, shall be disclosed in the Offer Documents.

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.

#### 4. POLICY FOR IDENTIFICATION OF 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 issuer company has had related party transactions during the period for which financial information is disclosed in the offer document, as covered under the applicable accounting standards; and
- ii. any other companies as considered material by the Board under the Policy on Materiality (as defined below).

Accordingly, for (i) above, all such companies (other the Subsidiaries) with which there were related party transactions during the period covered in the Restated Consolidated Financial Information, as covered under the applicable accounting standards, shall be considered as Group Companies.

For the purposes of point (ii) above, the policy on identification of any other ‘material’ companies for consideration as Group Companies (other than those covered under the schedule of related party transactions as per the Restated Consolidated Financial Information), is as set out below.

For the purpose of disclosure in the Offer Documents, all such companies (other than the Subsidiaries, and the companies categorized under (i) above) shall be considered ‘material’ and will be disclosed as a Group Company in the Offer Documents if such company is a member of the ‘Promoter Group’ of the Company in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations; and the Company has entered into one or more transactions with such company during the last completed Fiscal or relevant stub period, if applicable, for which Restated Consolidated Financial Information are being included in the Offer Document (“**Test Period**”), which individually or cumulatively in value exceeds 10% of the total restated revenue from operations of the Company for the Test Period shall also be classified as group companies.

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



## 5. POLICY FOR IDENTIFICATION OF MATERIAL CREDITORS

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

- (i) based on the policy on materiality adopted by the Board, details of the Company's material creditors including the consolidated number of creditors and the aggregate amount involved will be disclosed in the Offer Documents; and
- (ii) Consolidation information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved.

Additionally, complete details about outstanding overdue to material creditors including the name of such creditor(s) and amount due to such material creditor (as per (i) above) shall be disclosed on the website of the Company with the relevant web link included in the Offer Documents, as applicable.

For outstanding dues to 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.

For the purposes of identification of material creditors (except banks and financial institutions from whom the Company has availed financing facilities), in terms of point (i) above, a creditor of the Company shall be considered to be 'material' for the purpose of disclosure in the Offer Documents, if the amount due to such creditor by the Company is equal to or is in excess of 5 % of the trade payables of the Company for the six months period ended September 30, 2024 in the Restated Consolidated Financial Information.

## 6. GENERAL

It is clarified that the 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 requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, post listing of the equity shares.

The 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 Policy shall be subject to review/changes as may be deemed necessary and in accordance with applicable law from time to time.

All capitalised terms used but not specifically defined in this Policy shall have the same meaning as ascribed to them in the Offer Documents.

