

DIGILOGIC SYSTEMS LIMITED

POLICY ON IDENTIFICATION OF GROUP COMPANIES, IDENTIFICATION OF MATERIAL OUTSTANDING CREDITORS AND IDENTIFICATION OF MATERIAL OUTSTANDING LITIGATIONS

Date of Approval by Board: 21.08.2025

MATERIALITY POLICY

INTRODUCTION

This policy (“**Policy**”) has been formulated to define certain materiality policies in respect of Digilogic Systems Limited (the “**Company**”), 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 ‘material’ litigation (excluding disciplinary actions against the promoters, criminal proceedings, statutory/regulatory actions and taxation matters); and
- C. Identification of ‘material’ creditors.

APPLICABILITY

The board of directors of the Company (“**Board**”) at their meeting held on August 21, 2025 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 and includes 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, the Registrar of Companies, Telangana at Hyderabad and/or the stock exchange where the equity shares of the Company are proposed to be listed, as applicable. Restated Financial Information” shall mean the restated financial information of the Company, as disclosed in the relevant Offer Document.

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

Requirement:

As per the requirements of the SEBI ICDR Regulations, group companies include such companies (other than the subsidiaries and the promoters) with which the relevant issuer company had related party transactions during the period for which financial information is disclosed in the Offer Document(s), as covered under the applicable accounting standard (AS-18) issued by the Institute of Chartered Accountants of India, and also other companies as considered material by the Board.

The policy on identification of companies to be disclosed as group companies (other than those covered under the applicable accounting standard AS-18), as below, shall be disclosed in the Offer Documents.

Policy on materiality:

For the purpose of disclosure in the Offer Documents, a company will be disclosed as a ‘Group Company’ in the Offer Documents if:

- (i) The Company has entered into related party transactions with companies (other than the Subsidiaries and the promoters) as described under applicable accounting standard AS-18 with such company during any of the financial periods being included in the Offer Documents; and
- (ii) any other company as may be identified as material by the Board

with respect to (ii) above, the following will be considered material: such companies that are a part of the Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations (other than the Subsidiaries) and have entered into one or more transactions with the Company during the most recent financial year and stub period, if any, as per the restated financial information of the Company disclosed in the Offer Documents, which individually or in the aggregate, exceed 10% of the total income of the Company or such period.

B. Identification of ‘material’ litigation (excluding disciplinary actions against the promoters, criminal proceedings, statutory/regulatory actions and taxation matters)] involving the Company, its Subsidiaries, its Promoters, Directors, key managerial personnel, and senior management including ‘material legal proceedings.

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following pending litigation involving the Company, its Directors, Promoters and Subsidiaries (collectively “**Relevant Parties**”):

- (i) All outstanding criminal proceedings, including matters which are at first information report stage, even if no cognizance has been taken by any court or judicial authority;
- (ii) All outstanding actions by regulatory authorities and statutory authorities, including all penalties and notices by such authorities;
- (iii) Disciplinary actions including any penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years preceding the Offer Documents, including outstanding action;
- (iv) Outstanding claims and proceedings related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount, 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 litigations (including civil litigation or arbitration proceedings) involving the Relevant Parties, which are determined to material as per the policy of materiality defined by the Board and disclosed in the Offer Documents.

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 outstanding criminal proceedings, including matters which are still at the first information report stage, even if no cognizance has been taken by any court or judicial authority; and
- (ii) all outstanding actions by regulatory authorities and statutory authorities, including all penalties levied and notices issued by such authorities.

Further, as per the requirements of SEBI ICDR Regulations, the Company shall also disclose such outstanding litigation involving the group companies which has a material impact on the Company. 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, cash flows, performance, prospects, financial position or reputation of the Company. The Company would pass a resolution taking on record such litigations of the group companies, if any.

Policy on materiality:

Other than the 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 pending litigation shall be considered material, if it exceeds the lower of the following:
 - (a) 2% of the turnover as per the restated financial information of the Company for the latest financial year;
 - (b) 2% of the net worth as per the restated financial information of the Company for the latest financial year, except in case the arithmetic value of the net worth is negative; and
 - (c) 5% of the average of absolute value of profit or loss after tax, as per the restated financial information of the Company for the last three financial years; or
 - (d) all other outstanding litigation which may not meet the specific threshold and parameters as set out in (a) to (c) above, but where an adverse outcome would materially and adversely affect the business, operations or financial position or reputation of the Company.
- (ii) Subjective threshold: such pending matters which are not quantifiable or do not exceed the monetary threshold as specified in (i) above, 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 where a decision in one case is likely to affect the decision in similar cases even though the amount involved in the individual cases may not exceed the monetary threshold; or
- (iii) Additional threshold: there are 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.

It is clarified that for the purpose of this Policy, pre-litigation notices received by the Relevant Parties or Group Companies 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 the Relevant Parties are impleaded as defendants in litigation proceedings before any judicial/arbitral forum or unless decided otherwise by the board of directors of the Company.

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 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.

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 read with Section 7 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.

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 total trade payables of the Company as of the end of the latest financial period covered in the Restated 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 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 regulatory, judicial, quasi-judicial, 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.

Sd/-

Madhusudhan Varam Jetty
Managing Director