



**PACE DIGITEK LIMITED**

**POLICY FOR IDENTIFICATION OF**

- I) OUTSTANDING MATERIAL LITIGATION**
- II) COMPANIES TO BE CONSIDERED AS GROUP COMPANIES**
- III) THE MATERIAL CREDITORS OF THE COMPANY**

**(COLLECTIVELY, THE MATERIALITY POLICY)**

<b>Document version</b>	<b>Approved By</b>	<b>Date of approval</b>	<b>Date of Amendment</b>
1.0	Board of Directors	17 <sup>th</sup> February, 2025	-

### Introduction

This document has been formulated to define the policy for identification of (i) outstanding material litigation (in addition to all criminal proceedings, actions by statutory/ regulatory authorities and taxation matters) involving Pace Digitek Limited (the “**Company**”), its Subsidiary, its Directors and its Promoters, as applicable; (ii) companies to be considered as Group Companies; and (iii) the material creditors of the Company (together, the “**Materiality Policy**”), each in terms of the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”), in relation to the proposed initial public offer of equity shares by the Company (“**Issue**”).

The Board of Directors of the Company (**Board**) at their meeting held on 17<sup>th</sup> February, 2025 discussed and approved this Materiality Policy. This Materiality Policy shall be effective from the date of approval of the Materiality Policy by the Board.

In this Materiality Policy, the term “**Issue 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 the Company in connection with the proposed initial public issue of its equity shares with the Securities and Exchange Board of India (“**SEBI**”), the Registrar of Companies, Karnataka at Bengaluru and the stock exchanges where the equity shares of the Company are proposed to be listed, and/ or any other authorities, regulatory or otherwise, as applicable.

#### 1. 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 Subsidiaries, and its Promoters (together the “**Relevant Parties**” and each a “**Relevant Party**”) in the Issue Documents:

- a. All outstanding criminal proceedings (including matters which are at the first information report (“**FIR**”) stage even if no cognizance has been taken by any court);
- b. All outstanding actions (including all penalties, show cause notices, orders passed and any findings/observations or warning letters of any of the inspections by SEBI or any other regulatory authority) by statutory and/or regulatory authorities (including any judicial, quasi-judicial, administrative authorities or enforcement authorities);
- c. All outstanding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount involved in such cases. If any tax matter, whether direct or indirect, involves an amount exceeding the threshold proposed in (1) below, in relation to each Relevant Party, individual disclosures of such tax matters will be included; and
- d. Other pending litigations in accordance with the policy of materiality defined by the Board and disclosed in the Issue 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 the Promoters in the five financial years preceding the date of the relevant Issue Document as well as in the current year in which the relevant Issue Document is getting filed, including any outstanding action; and (b) outstanding litigation (including first information reports) involving any of the Group Companies, which may have a material impact on the Company, as applicable. 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 Issue Documents, if an adverse outcome from any such pending litigation may materially and adversely affect the business, operations, cash flows, performance, prospects, financial position or reputation of the Company.

Further, for the purposes of determining outstanding material litigations as mentioned in point 1(d) above (other than those covered under (a) – (c) above) involving the Relevant Parties, shall be considered 'material' for the purposes of disclosure in the Issue Documents:

1. if the aggregate monetary amount of claim involved in such a proceeding is equal to or exceeds, the lower of (i) 2% of the turnover of our Company as per the Restated Consolidated Financial Information for the preceding financial year disclosed in the Issue Document; or (ii) 2% of the net worth of our Company as per the Restated Consolidated Financial Information as at the end of the preceding financial year; or (iii) 5% of the average of the absolute value of the profit/loss after tax of our Company as per the Restated Consolidated Financial Information for the preceding three financial years disclosed in the relevant Issue Documents (the "Threshold").

For the purpose of clause (iii) above, it is clarified that the average of the absolute value of profit or loss after tax is to be calculated by disregarding the 'sign' (positive or negative) that denotes such value; or

2. wherein a monetary liability is not determinable or quantifiable for any outstanding proceeding, or which does not fulfil the materiality threshold as specified in (a) above, but the outcome of any such pending proceeding may have a material adverse effect on the financial position, business, operations, performance, prospects, or reputation of the Company on a standalone or consolidated basis, in the opinion of the Board; or
3. the decision in such a litigation is likely to affect the decision in similar litigations, such that the aggregate monetary claim amount involved in all such litigation proceedings is equal to or exceeds the Threshold, even though the amount involved in an individual proceeding may not exceed the Threshold.

2% of turnover, as per the Restated Consolidated Financial Information for Fiscal 2024 is 486.90 million, 2% of net worth, as per the Restated Consolidated Financial Information as at March 31, 2024 is 92.31 million and 5% of the average of absolute value of profit or loss after tax, as per the Restated Consolidated Financial Information for the last three Fiscals is 42.98 million. Accordingly, 42.98 million has been considered as the Threshold for the purpose of (a) above.

#### **Other matters**

Any findings/observations of any inspections by SEBI or any other regulator involving the Relevant Party, 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 Issue shall be disclosed in the issue Documents.

With respect to outstanding litigations (including first information reports) involving the Group Companies, only such outstanding litigations shall be disclosed in the Issue 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 Issue Documents, pre-litigation notices received by any Relevant Party and Group Companies from third parties (excluding those notices issued by statutory/regulatory/ judicial authorities / governmental/ tax authorities or FIRs (including FIRs where no cognizance has been taken by court), police complaints or notices threatening initiation of criminal action), unless otherwise decided by the Board, shall not be evaluated for materiality until the Relevant Party or Group Companies as the case may be, are impleaded as a party in the proceeding before any judicial/arbitral forum or any governmental authority.

## **2. Policy for identification of Group Companies**

In terms of the SEBI ICDR Regulations, the term 'Group Companies' includes:

- a. such companies (other than promoters and subsidiaries) with which the Company has had related party transactions (in accordance with the applicable accounting standards) during the periods for which financial information is disclosed in the Issue document i.e., the Restated Financial Information included in the Issue Documents, as covered under the applicable accounting standards; and
- b. any other companies as considered material by the Board.

Accordingly, for 2(a) above, all such companies (other than 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 in terms of the SEBI ICDR Regulations.

For the purposes of point 2(b) above, the Company does not consider any company as a group company.

## **3. Policy for identification of material creditors**

In terms of the SEBI ICDR Regulations, the Company shall make the following disclosures in the Issue Documents for outstanding dues to creditors (except banks and financial institutions from whom the Company has availed financing facilities):

- a. based on the policy on materiality adopted by the Board and as disclosed in the Issue Documents, details of the Company's material creditors including the consolidated number of creditors and the aggregate amount involved;
- b. 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
- c. 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 the purposes of identification of material creditors, in terms of point 3(a) above, a creditor of the Company, shall be 'material' for the purpose of disclosure in the Issue Documents, if amounts due to such creditor by the Company is equal to or is in excess of 5% of the total consolidated trade payables of the Company as at the end of the latest financial period covered in the Restated Consolidated Financial Information of the Company to be included in the Issue Documents.

For outstanding dues to MSMEs and other creditors, the disclosure will be based on the 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.

### **General**

It is clarified that the Materiality Policy is solely for the purpose of disclosure requirements in Issue Documents prescribed under the SEBI ICDR Regulations and should not be applied towards any other purpose, including but not limited to, 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 of the Company.

The Materiality 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 Issue Documents, or disclosures that may arise from any investor or other complaints.

The Materiality Policy shall be subject to review and/ or 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 Materiality Policy shall have the same meaning as ascribed to them in the Issue Documents.

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