Efficient Fire and Security Solutions Limited

(Formerly known as Efficient Fire and Security Solutions Private Limited)

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MATERIALITY POLICIES

This policy (**"Policy"**) has been formulated to define the materiality policy for identification of group companies, litigation and outstanding dues to creditors in respect of Efficient Fire and Security Solutions Limited (**"Company"**) for the purposes of relevant disclosure in the Offer Document (defined herein below) pursuant to the requirements 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"**).

Identification of 'Material' Group Companies:

Requirement:

The policy with respect to the identification of the Group Companies of our Company shall be as follows:

As per Regulation 2(1)(t) of the SEBI ICDR Regulations, Group Companies shall include "such companies (other than promoter(s) and subsidiary(ies)) with which there were related party transactions, during the period for which financial information is disclosed, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer".

Policy on materiality:

For the purpose of disclosure in the Issue Documents, a company shall be considered and disclosed as a Group Company if:

a. such companies (other than promoter) and subsidiary(ies)) with which the relevant issuer company had related party transactions during the period for which financial information is disclosed, as covered under applicable accounting standards, and

b. any other companies considered material by the board of the relevant issuer company.

Accordingly, for (a) above, all such companies (other than our Subsidiary) with which there were related party transactions during the periods covered in the Restated Financial Statement, as covered under the applicable accounting standards, shall be considered as Group Companies in terms of the SEBI (ICDR) Regulations. For the purpose of avoidance of doubt and pursuant to regulation 2(1)(t) of SEBI (ICDR) Regulations, 2018.

In terms of the SEBI (ICDR) Regulations and in terms of the policy of materiality defined by the Board of Directors our Group Companies includes:

Those companies disclosed as having related party transactions in accordance with Accounting Standard ("AS 18") issued by the Institute of Chartered Accountants of India, in the Restated Financial Statements of the Company for the last three financial years and stub period.

All such companies which the Board has deemed to be material to be considered as Group Companies.

For avoidance of doubt, it is hereby clarified that the Subsidiaries shall not be considered as Group Companies for the purpose of disclosure in the Offer Documents.

Identification of "Material" Litigation (excluding criminal proceeding, statutory/regulatory actions and taxation matters:

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall disclose all the litigations involving the

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Company/Directors/Promoters/Promoter Group/KPMs/SMPs/Group Companies in relation to:

(i) All criminal proceedings;
(ii) All actions by statutory / regulatory authorities;
(iii) Taxation - Separate disclosures regarding claims related to direct and indirect taxes, in a standalone manner giving details of number of cases and total amount;
(iv) Other pending litigations - As per the policy of materiality defined by the board of the issuer and disclosed in the Offer Documents.

Policy on materiality:

Other than litigations mentioned in points (i) to (iv) above, any other pending litigation involving the Company, Directors, Promoters, Promoter Group, KMPs, SMPs and Group Companies shall be considered "Material" for the purpose of disclosure in the Offer Documents if:

a) if the aggregate monetary claim made by or against the Company, directors, promoters, key managerial personnel and senior management or its group companies as the case may be, in any such pending litigation or arbitration proceeding exceeds the lower of the following in the Draft Offer Document/Offer Documents to be filed in pursuance of the initial public offer of the equity shares of the Company: or

i. two percent of turnover, as per the latest annual restated financial statements of the issuer: or

ii. two percent of net worth, as per the latest annual restated financial statements of the issuer, except in case the
arithmetic value of the net worth is negative; or

iii. five percent of the average of absolute value of profit or loss after tax, as per the last three annual restated financial statements of the issuer."

b) such litigation or arbitration proceeding where the monetary liability is not quantifiable, or which does not fulfill the threshold specified in (a) above, but the outcome of which litigation or arbitration proceeding could, nonetheless, have a material adverse effect on the business, operations, performance, prospectus, financial position or reputation of the Company."

For the purposes of determining outstanding material litigation involving the directors of the Company, all outstanding litigations where an adverse outcome would materially and adverselyaffect the business, operations, financial position or reputation of the Company, shall be identified as material litigation.

It is clarified that the above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/or such other governmental authority with respect to listed companies and that the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations withrespect to the Offer Documents and should not be applied towards any other purpose.

Furthermore, the above policy on materiality shall be without prejudice to the disclosure requirements 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.

Identification of 'Material' Creditors:

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents for outstanding dues to creditors:

(i) Based on the Policy on materiality of the Board and as disclosed in the Offer Documents,disclosure for such creditors;
(ii) Consolidated information on outstanding dues to small scale undertakings and other creditors, separately giving details of number of cases and amount involved;
(iii) Complete details about outstanding dues to creditors as per (i) and (ii) above shall be disclosed on the webpage of the company with a web link thereto in the Offer Documents.

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Policy on materiality:

For identification of material creditors, in terms of point (1) above, a creditor of the Company, shall be considered to be material for the purpose of disclosure in the Offer Documents, if amounts due to such creditor exceeds 10% of the total trade payables as on the date of the restated standalone financial statements for the last completed fiscal year included in the Offer Documents.

Disclosures in Offer Documents regarding material creditors and SSIS and MSMEs

(i) 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

(ii) involved on an aggregate basis, as of the date of the latest restated financial statements included in the Offer Document.

(iii) For outstanding dues to small scale undertakings ("SSI") or a micro small or medium enterprise ("MSME"), the disclosure will be based on information available with the Company regarding the status of the creditors as an SSI or 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 SSI or MSMEs creditors shall be provided in the Offer Documents in the following manner:

a. aggregate amounts due to such creditors; and

b. aggregate number of such creditors.

as of the date of the latest restated financial statements included in the Offer Document

(iv) In respect of all creditors of the Company, consolidated information on outstanding dues to the creditors shall be disclosed in the Offer Documents comprising the number of creditors and amount involved on an aggregate basis, as of the date of the latest restated financial statements included in the Offer Document
The Company shall make relevant disclosures before the Audit Committee/ Board of directors as required by applicable law from time to time.

General:

The above policies shall be subject to review/changes by the Board as may be deemednecessary and in accordance with regulatory amendments, from time to time.

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