

## MATERIALITY POLICY OF CMS INFO SYSTEMS LIMITED

### Introduction

This materiality policy (“**Policy**”) has been formulated for the identification of group companies, outstanding litigation and outstanding dues to creditors in respect of CMS Info Systems Limited (“**Company**”), pursuant to the disclosure requirements under Schedule VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time (“**SEBI ICDR Regulations**”), which states that the policy of materiality should be disclosed in the offer documents.

### Applicability

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

In this Policy, the term “**Offer Documents**” means the draft red herring prospectus, the red herring prospectus and the prospectus to be filed and/or submitted by the Company in accordance with the SEBI ICDR Regulations and the Companies Act, 2013 and the applicable rules thereunder, in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India, the Registrar of Companies, Maharashtra at Mumbai and/or stock exchanges where the equity shares of the Company are proposed to be listed, 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.

### 1. Identification of group Companies

#### *Requirement:*

As per the requirements of the SEBI ICDR Regulations, the term “Group Companies”, include such companies as covered under the applicable accounting standards i.e., Indian Accounting Standard – 24, issued by the Institute of Chartered Accountants of India, and also any other companies as considered material by the Board.

In light of the aforesaid requirement, the following companies are to be treated as Group Companies of the Company:

- (i) companies disclosed as related parties in accordance with the Indian Accounting Standard – 24, in the audited restated consolidated financial statements of the Company for the last five financial years and any stub period (in respect of which audited restated financial statements are included in the relevant Offer Documents), other than the Subsidiaries and the Promoter of the Company; and
- (ii) companies considered to be material by the Board, in terms of the policy laid down in the subsequent paragraph.

#### *Policy on materiality:*

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

- (i) the Company has entered into one or more transactions with any company forming part of Promoter Group (in terms of Regulation 2(1)(zb) of the SEBI ICDR Regulations) during the last completed financial year and any stub period (in respect of which audited restated financial statements are included in the Offer Documents), which cumulatively in value, exceeds 10% of the total consolidated revenue of

the Company for that financial year as per the restated consolidated financial statements of the Company; and/or

For avoidance of doubt, it is clarified that the following companies shall not be considered as ‘Group Companies’ for the purpose of disclosure in the Offer Documents:

- (i) Companies which are consolidated under Indian Accounting Standard 27;
- (ii) The Promoter of the Company; and
- (iii) Companies which, subsequent to the audited restated consolidated financial statements of the Company (in respect of which audited restated financial statements are included in the Offer Documents), have ceased to be related parties of the Company in terms of Indian Accounting Standard 24 solely on account of there being no significant influence/ control over such company in terms of Indian Accounting Standard 24 (as confirmed by the Board/ IPO Committee in a resolution).

## **2. Identification of ‘Material’ Litigation (excluding criminal proceedings, statutory/regulatory actions and taxation matters (“Litigation Materiality Policy”))**

### *Requirement:*

As per the requirements of SEBI ICDR Regulations, the Company shall disclose all the litigations involving the Company, its directors, promoter and subsidiaries related to:

- (i) All criminal proceedings;
- (ii) All actions by statutory / 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 - As per the policy of materiality defined by the Board and disclosed in the Offer Documents.

### *Policy on materiality:*

Other than litigations mentioned in point (i) to (iii) above, any other pending litigation involving the Company, its directors, promoter, subsidiaries and group companies (if any) shall be considered “material” for the purpose of disclosure in the Offer Documents if:

- (i) the aggregate monetary amount of claim involved whether by or against the Company, its directors, promoter, subsidiaries and group companies in any such pending litigation is in excess of 1% of our Company’s profit after tax as per the annual audited restated consolidated financial statements for the most recent Fiscal Year; or
- (ii) any such pending litigation is material from the perspective of the position, business, operations, prospects, financial results or reputation of the Company, irrespective of the amount involved in such litigation.

It is clarified that apart from as set forth above, the disclosure on outstanding litigation in the Offer Documents will also include disclosures as specified in the Companies Act, 2013 and rules made thereunder. Further, pre-litigation notices (other than those issued by governmental, statutory or regulatory authorities) received by the Company, Subsidiaries, Directors, Promoters or the Group Companies shall not be considered as litigation until such time that any of the Company, Subsidiaries, Directors, Promoters or Group Companies, as the case may be, is made a party to proceedings initiated before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced.

### 3. Identification of ‘Material Creditors’ (“Creditors Materiality Policy”)

*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, complete 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; and
- (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.

*Policy on materiality:*

For identification of material creditors, in terms of point (i) above, a creditor of the Company, shall be considered to be material if amounts due to such creditor exceeds five per cent (5%) of the consolidated trade payables of the Company as per the audited restated consolidated financial statements of the Company for the most recent audited Fiscal.

#### **General**

This Policy shall be subject to review/changes as may be deemed necessary by the Board/IPO committee and in accordance with regulatory amendments from time to time.

#### **Date Approved**

Approved & adopted by the Board of Directors of the Company in its meeting held on 28th day of August 2017 at Mumbai

#### **For CMS Info Systems Limited**

Sd/-

**Ashish Agrawal**  
**Director (DIN: 00163344)**

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